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MARKET RESEARCH FOR BUILDERS IN ALBERTA

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Innovative Housing Grants Program

MARKET RESEARCH FOR BUILDERS IN ALBERTA

March, 1990

Prepared by:

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The views and conclusions expressed and the recommendations made in this report are entirely those of the authors and should not be construed as expressing the opinions of Alberta Municipal Affairs.

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FOREWORD

The project documented in this report received funding under the Innovative Housing Grants Program of Alberta Municipal Affairs. The Innovative Housing Grants Program is intended to encourage and assist housing research and development which will reduce housing costs, improve the quality and performance of dwelling units and subdivisions, or increase the long term viability and competitiveness of Alberta's housing industry.

The Program offers assistance to builders, developers, consulting firms, professionals, industry groups, building products manufacturers, municipal governments, educational institutions, non-profit groups and individuals. At this time, priority areas for investigation include building design, construction technology, energy conservation, site and subdivision design, site servicing technology, residential building product development or improvement and information technology.

As the type of project and level of resources vary from applicant to applicant, the resulting documents are also varied. Comments and suggestions on this report are welcome. Please send comments or requests for further information to:

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EXECUTIVE SUMMARY

Effective market research can substantially enhance the success potential of builders. However, the extent and nature of market research conducted or used by the residential housing industry in Alberta was not well understood. This study evaluated the extent and nature of market research by such builders and identified effective market research techniques and strategies for small builders in the Province.

To obtain this information, the literature on this topic was reviewed, builders in Alberta were surveyed, and builder association representatives were interviewed. The report summarizes the literature review, the survey and interviews, and provides a 'how-to' approach to conducting market research and successful marketing strategies. Finally, several case studies outline examples of how such techniques have been used by builders in North America.

As we approach the year 2000, market research will become increasingly important to residential home builders. In fact, two-thirds of all the builders surveyed in this study now conduct some form of specially planned, formal market research, the majority of which is done in-house. Half the builders also acknowledged that market research was, or will be, an important element in the home building industry.

However, builders also indicated they would like more information. There are opportunities for trade associations, architects and designers, consultants or market researchers, land developers, and government to provide builders with information about market opportunities, consumer research, new technology, and specialized housing markets or niches. Specific recommendations for builders are also discussed within view of the study findings.

According to Frank Clayton, an expert in the housing field, the keys to success in the housing industry during the next ten years will be adaptability, flexibility, openess to innovation, and the ability to recognize evolving market niches. Builders will need to explore markets such as lifestyle housing for seniors, infill housing, housing for the disabled, and the renovation market. Because

consumers are becoming more sophisticated and demanding buyers, there are risks to entering new markets but these can be minimized by doing market research. Hopefully, this report will increase builder awareness of the wide array of simple, affordable market research techniques and strategies that can be done in-house or contracted out.

1.0 INTRODUCTION

1.1 Purpose of the Study
1.2 Scope and Focus of the Study
1.3 Terminology and Definitions
1.4 Report Structure

1.0 INTRODUCTION

Effective market research can substantially enhance the success potential of builders. However, the extent and nature of market research conducted or used by the residential housing industry in Alberta is not well understood. There are indications that many builders do not conduct market research. However, investigation and presentation of the effectiveness and appropriateness of various market research techniques for use by small builders in the Alberta market could enhance small builder viability in the Province.

1.1 Purpose of the Study

The purpose of this study was twofold: 1) to evaluate the extent and nature of market research by residential home builders in Alberta, and 2) to identify effective market research techniques and strategies appropriate for small builders in the Province.

The detailed objectives were:

1. To review the literature on market research with a view to identifying techniques appropriate to home builders, particularly smaller builders.

2. To review the state of market research in the residential construction industry in Alberta.

3. To identify and make recommendations regarding the most effective housing market research techniques and strategies, particularly those suited to small builders.

4. To review particularly successful marketing research initiatives employed in other areas characterized by a predominance of smaller builders.

1.2 Scope and Focus of the Study

The study was conducted to elaborate the spectrum of market research techniques appropriate for use by home builders, to gauge the extent and attributes of market research currently undertaken by builders in Alberta, to identify and make recommendations as to the most effective methods, and to explore successful marketing initiatives employed in other areas.

To gauge the extent of market research and types of activities conducted in Alberta, a survey of New Home Warranty builders within four major areas in Alberta -- Edmonton, Calgary, Red Deer, and Lethbridge -- was undertaken. In addition, the views of the Canadian Home Builders' Association, Alberta Home Builders' Association, and local associations with active sales and marketing committees are represented.

1.3 Terminology and Definitions

"Selling (alone) is not marketing. Too often builders lose sight of this fact. Selling is the process of informing, reminding and persuading potential customers that your product should be purchased. Sales are the culmination or natural result of good marketing."[1]

Although selling is a very old concept, marketing is a relatively new one. Until recently, the product was everything. Today, the emphasis is on the customer or consumer. ***Marketing*** demands understanding your customers and their needs.

Marketing represents a number of components -- market and marketing research, new-product development, advertising, physical distribution, selling, and customer service.

The terms ***market research*** and ***marketing research*** are often used interchangeably. For the purpose of this study however, ***market research*** is

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1 Alberta Home Builders' Association, *Development and Assessment of a Trial Course on Sales and Marketing Concepts for Today's Builder*, (Alberta Department of Housing: Innovative Housing Grants Program), 1986, p. A-24.

the gathering, recording, and analyzing of information relating to customers/consumers, the product, services, or the market. For example, market research may address the following types of questions:

- Who are the builder's customers (i.e., demographics, target market)?
- Where are they located (i.e., market area)?
- What are their needs, expectations, and preferences?
- What is the size of the potential market?
- What and where is the competition?

Marketing research on the other hand, addresses issues about positioning, market segmentation, image creation, pricing, advertising and promotion, personal sales, and follow-up. Note that there may be some overlap in the topics researched in a market or marketing study.

1.4 Report Structure

This report is organized into nine components:

- Section 2 provides a review of current literature regarding the nature and extent of market research among home builders in North America.

- Section 3 describes the research methods used to gather information from association representatives and home builders.

- Association views are provided in Section 4.

- Builder survey results are presented in Section 5.

- Section 6 provides a 'how-to' approach in planning market research.

- Section 7 is a 'how-to' approach to using various market research techniques.

- Section 8 discusses successful marketing strategies for builders.

- Section 9 outlines several case studies of successful market research and marketing strategies used by builders, including small builders.

- Conclusions and recommendations are discussed in Section 10.

- Appendix A provides a copy of the builder questionnaire and the number of responses for each question.

- Appendix B provides selected resources for marketing strategies.

2.0 REVIEW OF THE LITERATURE

2.1 An Overview
2.2 Builder Profiles
2.3 Advice from Successful Builders
2.4 The Need for Market Research
2.5 How Much Market Research is Enough?
2.6 An Overview of Market Research Techniques

2.0 REVIEW OF THE LITERATURE

This section summarizes recent literature which was reviewed regarding market research and marketing for builders . Sources are footnoted.

2.1 An Overview

The following quote from *Builder* summarizes the general state of market research within the home building industry in North America:

> "Fifty years ago, market research for builders was about as sophisticated as holding a wet finger to the wind. Nor did it matter, since demand for housing outstripped supply. Builders could succeed simply by buying a tract of land, subdividing it, and building more of whatever already existed nearby. Now, however, circumstances have changed. Fueled by high prices for land, labor, and materials, competition has become more intense. Market research has evolved into a science, aided by computers and advanced information-gathering techniques. Consumers have grown more savvy and demanding, in part because of the range of options offered by new products and technology. So what do most builders do? They simply buy a tract of land, subdivide it, and build more of whatever exists nearby."[1]

According to market consultant and columnist Bernard Schreft, the "standard copouts" justifying the "monkey see, monkey do" approach include:

- " 'This plan sure has been good to me over the years. Sells real well.' This excuse usually comes from someone who hasn't increased volume or profits in years."

- " 'This is what the market wants.' ... yes, buyers will buy it -- until someone finally offers a better choice and pulls away from the pack ... with evolutionary, not revolutionary, change."[2]

Another reason, of course, is money. To evolve, however, requires homework or market research. Today's small builder cannot afford to make mistakes. Builders "must hit the right market with the right product with the right design 'hot buttons' at the right price point."[3]

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1 "Market Research: How Much is Enough?," *Builder*, April 1988, p.44.
2 Schreft, Bernard S., "Monkey See, Monkey Do," *Builder*, December 1988, p.14.
3 Zabas, Al, "The Success of Homework," *Canadian Building*, April 1988, p.28.

Many builders, however, are not convinced that market research is the way of the future. Tension often exists between construction and marketing.

> "Construction issues tend to dominate our industry, overshadowing marketing issues. ... The reason for this is that most building company presidents and project managers come up through the construction ranks and only begrudgingly accept the need for marketing input in decisions regarding land planning, product design, pricing, merchandising, customer service, and sales. To the construction-driven home builder, the only role of marketing is to sell what is built."[4]

In addition, attitudes about various players (e.g., bankers, architects, designers, consultants) involved in the industry are often very negative. A recent *Builder* magazine survey asked builders and other team players working on different aspects of home building, to talk candidly about their teams. The team sees the builder as "a brassy bandleader who grabs the spotlight and the applause but doesn't really know the score." Builders on the other hand, see the team as "amateur performers who can't keep up the pace, won't harmonize, and will never learn the score." Regarding specific team members, builders see marketers (i.e., advertising, market research, and public relations) as "flacks, flunkies, and fantasists." Marketers see builders as" ego,10; brains, 5; vision, 0."[5]

The above builder and marketer views are slowly changing however. A review of recent literature relating to the residential housing industry in North America suggests that market research is evolving into an important element of the building process. Further, market research will be essential to all home builders in the near future due to the overall slow-growth trend.[6] "While the markets for new housing are expected to shrink, they will also become more discrete. The housing industry will have to develop enhanced capabilities to identify and cater to these newly emerging markets which include a diverse range of 'lifestyle' housing forms."[7]

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4 Leinberger, Christopher B., "Make Room for Marketing," *Builder*, July 1988, p.28.
5 Fletcher, June, "Myths, Gripes, and Stereotypes," *Builder*, August 1988, pp.68-73.
6 See footnote 3.
7 Canadan Mortgage and Housing Corporation (1987). *Canadian Residential Construction Industry: Perspective and Prospective* (Executive Summary Draft), p.iii.

The home building industry in Alberta has experienced difficult times in the 1980's which have resulted in a complete restructuring of the industry. The large "mega-builders" have virtually disappeared. The industry now consists primarily of small local builders who are expected to dominate the marketplace for the foreseeable future.[8] The status and value of market research within this industry is unclear; this study attempts to shed some light on these issues.

2.2 Builder Profiles

"As times have changed, so has the housing industry. ... Forget the stereotype of the paunchy cigar-chomping carpenter-turned-builder with mud on his shoes and a pencil stuck behind his ear." According to a recent survey conducted by the National Association of Home Builders in the United States,

> "Today's builder is younger, better educated, and more financially and technically astute than ever before. And as builders are changing, so are their businesses. Though still mostly small, privately held, and family-oriented, building firms are becoming more sophisticated and diversified. Their managers embrace efficiency through modern technology, new construction techniques, and computerization. And they're alert to creative ways to finance, market, and manage their product."[9]

Small builders dominate both the American and Canadian housing industry. In the United States, about three-quarters of all builders build fewer than 25 units a year. About one-fifth are medium sized builders constructing 25 to 100 units a year and the remainder larger builders at over 100 units a year.[10] In Canada, the vast majority of builders are also small firms.[11] According to Canada Mortgage and Housing Corporation,

> "the single-family homebuilding industry continues to be characterized by a large number of small firms building fewer than 25 houses per year, a much smaller number of medium-sized firms building 25 to 99 homes per

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[8] The Alberta Home Builders' Association (1986). *Development and Assessment of a Trial Course on Sales and Marketing Concepts for Today's Builder.* Alberta Department of Housing: Innovative Housing Grants Program.
[9] Fletcher, June and Penelope Lemov, "Changing Time," *Builder*, January 1988, pp.237-249.
[10] Ibid.
[11] "1988 Reader Survey," *Habitat 2000*, March-April 1988, p.20-24.

year and only a handful of large firms building 100 or more houses per year."[12]

In terms of the organization of the firm, two-thirds of all builders surveyed in the United States are incorporated, and most firms are run by principal or sole owners.[13] One-third of builders surveyed have between one and five full-time employees, and nearly half employ ten people or less. Those who build custom homes in the United States typically have five employees.[14] In contrast, the majority of builders in Canada are small firms, employing few full-time staff, instead, relying on sub-trades to do most the the work. Of builders surveyed in Canada, 60 percent employ between one and five people full-time. An additional 30 percent have between six and twenty employees.[15]

2.3 Advice from Successful Builders

Successful builders are not all giants in the industry. In fact, small builders comprise the majority of custom home building and many are admired for their innovation. The following advice to builders relates to the central theme of this study -- market research. The advice is exemplary for large and small successful builders in North America.

A Columbus, Ohio builder, Phil Fankhauser, developed a formula for affordable housing aimed at active retirees. The builder and his partner spoted a niche in the Columbus market and worked on the idea for eleven months before approaching an architect. Consumer research refined the concept. The development was so successful Fankhauser is now licensing his design and expertise to builders in other Midwestern markets.[16]

Florida builder Arthur Rutenberg has a good reputation in the home building business and is admired for his product design, model presentations, and management experience. He recently launched a major franchised builder

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12 See footnote 7, p. iv.
13 See footnote 9.
14 Carper, James, "Profile: America's Builders," *Professional Builder*, September 1988, pp. 132-145.
15 See footnote 11.
16 Lurz, William H., "How One Builder Found His Niche in Retirement Housing," *Professional Builder*, December 1988, pp.24-25.

network and was selected 1986 Builder of the Year by *Professional Builder* magazine.

Mr. Rutenberg strongly believes that builders should refine the design of each new house plan and continue to improve it. Each design should be architecturally and aesthetically exciting. However, the plan must work; it should be functional and livable.[17] Finding out what buyers and potential clients prefer is market research that can help realize Rutenberg's advice.

Advice from *Professional Builder* giant builders of the year indicated that

> " ... small volume builders can be every bit as professional, sophisticated and profitable as the nation's largest volume builders. Large volume builders, however, have the advantage of size, of the collective experiences and wisdom of large staffs, and of repeated trial and error education with numerous management problems and on numerous housing projects. Indeed, there are many lessons smaller volume builders can learn from their larger brothers."[18]

One large builder who responded to a survey of housing "giants" (a giant had annual revenues of $15 million or more in 1985) gave the following advice to smaller builders: "We have found extensive market research to be a valuable aid in the geographic selection of properties as well as the targeting of development activities toward specific market segments. We would recommend that all builders -- small and large -- heed the dictates of such market research."[19]

Locally, Hillview Homes in Edmonton says its company has just completed the most successful year in its ten year history with a total of fifty-three homes underway in 1988. Hillview is a medium-sized builder that does market research which includes research thoroughout different parts of North America including California. "We've introduced into the market place some new

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17 Diez, Roy L., "Sound Advice From The Builder Of The Year," *Professional Builder*, January 1987, p.23.
18 "Advice From The Giants," *Professional Builder*, July 1987, p.82.
19 "How The Giants See 1987," *Professional Builder*, January 1987, p.45.

designs along California styles." The kitchen and en suite bathrooms have taken on renewed importance and are receiving new attention.[20]

In Vancouver, The Molnar Group is noted for its trend setting condominiums. Andre Molnar, chief executive officer, believes in giving customers what they want by doing market research. "We don't build anything without market research and we have brought it to a science. We have independent market researchers do studies as well as doing our own research."[21]

2.4 The Need for Market Research

According to the leaders and experts in the industry,

"The need to infuse marketing into our home building companies has never been more important. Today, we have more and more affluent buyers who have moved past the entry-level house and are now making discretionary move-up decisions. The more discretionary the buyer, the more the home builder needs a marketing orientation to permeate the company, achieving a true balance between marketing and construction."[22]

"The key to success, to longevity, to profits and to growth is the consumer. You have to figure out what the consumer wants and provide it in a way that adds value to every transaction the consumer makes."[23]

> "With new starts on the decline, the builders who survive will be those who can build quality homes at a competitive price. They will, in essence, determine the needs of the marketplace and then build accordingly. For those looking at new markets, determining the needs will be even more critical. ... a builder has to pick his niche; to determine how he can best serve the market demand."[24]

Trade publications (e.g., *Canadian Building; Builder; Professional Builder*) provide detailed survey information about home buyers and their preferences in housing. Yet, in a survey of Canadian builders,[25] there seems to be a

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20 Kostyniuk, Brent, "Custom Building in Edmonton," *Home Builder*, March/April 1989, p.26.
21 Arsenault, Sharon, "Condo King of B.C.," *Canadian Building*, April 1989, p.35.
22 See footnote 5.
23 Copps, Mary Jane, "Consumers Must See Benefits Says Cormack," *Canadian Building*, September 1988, p.39.
24 Fennell, John, "Meeting Needs," *Canadian Building*, October 1987, p.3.
25 See footnote 11.

discrepancy between consumer preferences and what builders feel consumers are most concerned about in buying a home. To most builders, price is by far the number one item; to consumers this is not always the case. Doing some homework involves fine-tuning this information to a local market. Find out from prospective buyers what they want and most important, what they are willing to pay for. For example, for families, "you could get innovative and ask teenagers what their 'wish list' would be as well. Don't ever underestimate the 'family' input to a major moving decision..."[26]

2.5 How Much Market Research Is Enough?

According to a survey by *Professional Builder*, the larger the firm, the more likely they are to use outside consultants for market research (in addition to in-house research). Nearly two-thirds of firms employing more than twenty people hired market research consultants compared to only 27 percent of firms with five or less employees.[27]

The above survey also indicates that housing "giants" do market research. Seventy percent of respondents indicated they spend an average of $40,000 a year on market research. The reported costs range from $5,000 per project to more than $300,000 a year. It is interesting to note that these builders market quality, location, lifestyle, and value above price.[28]

Professional Builder also suggests several ways to reduce risk in developing and building for a new niche such as the retirement housing market. "Do a market study for each and every project and do your demographic homework."[29]

For small builders however, formal market research is expensive. A complete economic market report by a reputable research firm or consultant can cost as much as $25,000. A small builder in Florida who builds about 20 move-up

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[26] Terry, Leigh, "Building for Boomers," *Home Builder*, January/February 1989, p.18.
[27] Adams, Eli and William Lurz, "Management Sophistication," *Professional Builder*, June 1987, p. 125.
[28] See footnote 19.
[29] Diez, Roy L., "Retiree Market Strong. But Not For Lemmings," *Professional Builder*, March 1986, p.9.

houses a year sums up the problem succinctly: "I am uncomfortable. I know we need professional guidance, but it's hard to commit the dollars. And it's suicide not to."[30]

However, the above builder is at the point -- an annual volume of $3 million -- where hiring a consultant to do a market analysis is cost-effective. Below this volume, a builder may need market research but likely cannot afford an external consultant. The cost is the same for five houses as it is for 100 houses; there are no economies of scale.[31] Nevertheless, there are cost-effective approaches to market research which are more affordable to smaller builders. Section 2.6 provides a review of market research techniques used by builders, including smaller builders. Section 6 outlines a 'how-to' approach for builders who wish to explore market research either in-house or by contracting out to a consultant.

2.6 An Overview of Market Research Techniques

Doing your 'homework' includes a variety of approaches to learning more about your competition, market, and buyers. Market research techniques vary from simple, inexpensive do-it-yourself approaches to hiring a consultant.
This section provides an overview of affordable market research techniques which are applicable to the housing industry.

The importance of market research for home builders is emphasized by Market Directions, a California market research consulting firm, who describe ten taboos of marketing within the home building industry. The first taboo for builders is "no marketing research -- what you don't know doesn't matter until you know what they know."[32]

The following examples are of builders who encountered problems which were related to the lack of market research. In the first example, a long struggling builder in the Carolinas, was asked by a consultant

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30 See footnote 1.
31 See footnote 1, pp. 44-46.
32 See footnote 3, p. 32.

"why no one in town was building an expandable Cape for entry-level families. He answered, with a shrug, that no one in the market builds them. ... After we (the consultant) pointed out that most older homes in the market were Capes, he reluctantly agreed to start just one production unit. Within 60 days the house was roofed, framed, and sold. Then there's the southern builder who concentrated on plain-Jane FHA-type boxes. Each one featured blind dormers and eight foot ceilings. We persuaded him to try a daring experiment: scissor-truss the entire house with a simple vault, and stop interior walls at seven feet between kitchen, dining, and living rooms with pot-shelves above. He tried it and sold it. Many builders in town followed suit."[33]

At a recent seminar, the same consultant reviewed plans by

"a builder who can't get out of the rut of building 15 to 20 homes annually. He's sold the same basic plans over the years and can't understand why his company isn't growing. Let me tell you what we found in his plans and ask you to review yours:

- A front entrance with a single door, no sidelite or glass above. We suggested a major entry with double door or sidelites with high glass spilling light into the foyer.

- A massive fireplace covering the back wall of the living room, effectively shutting out backyard views.

- An abundance of dark hallways.

- Four huge bedrooms and a giant hall bath on the second floor. Skimpy linear closets and a hall leading to a minuscule master bathroom."

After two architects and the consultant analyzed the plan and recommended revisions, the builder exclaimed, "But, nobody in our market does anything like this. Our buyers are different." The consultant does not believe it. Buyers are more likely to accept tasteful innovation than some builders are.[34]

Another builder example -- a 'Giant 100' builder -- relates to the lack of market research and to targeting the market. Fortunately, this case proved successful nonetheless. David Tufaro, managing partner with Summit Properties learned

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[33] See footnote 2. p.14.
[34] See footnote 2.

more about retirement housing when he built a 250-unit luxury rental project in Richmond, Virginia for yuppies. Stony Point was planned with

> "an eye on the traditional apartment mix of young professionals, singles, divorcees and an empy-nester couple or two. Instead he ended up renting to lots of retirees. With Stony Point holding at 95 percent occupancy -- 5 percent higher than the city's norm -- Tufaro isn't about to argue with success. But he isn't above figuring out why the project appealed to an older, affluent market and how he can capitalize on those strengths in the future. ... Tufaro went to a (residents') club meeting to talk to his residents. What had attracted them? The convenient location, the proximity to shopping and medical offices, the ability to walk around the project and enjoy the environment, and the helpful, caring attitude of the on-site management staff, they said. Also important: the fact that Stony Point was not a retirement project. With those findings as his reference point, Tufaro came up with what he calls 'important lessons for our company and others in the housing business'."[35]

Another research approach -- buying a day of consulting time -- may have provided Tufaro with some valuable information about the retirement housing market.

2.6.1 Buy a Day of Time

Builders without the budget for a market study can buy a day of time from a local or national marketing firm specializing in the housing industry to discuss such topics as specific trends and market opportunities.[36] This approach would be particularly useful to a builder who could not afford a full market study but who is considering entering a new market .

For example, a mid-Atlantic builder was hoping to move to a new market about three hours away from his home base, but had some misgivings and contacted The Greenman Group, a consulting firm in Florida, to look at the site and review the preliminary plans to make sure he was on target the first time into this market.

> "We had seen the product hundreds of times in the mid-Atlantic states. It's that good old, same old 20-foot-wide, colonial-style townhouse, front

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35 "Seniors Flock to Yuppie Project," *Builder,* March 1987, p.110.
36 See footnote 1.

faced in brick, with the garage tucked under. The kitchen's in the front, the dining room's in the middle, and the living room is a step down across the back of the house.

As soon as he described his plans I flinched and thought, 'Here we go again.' But we decided to fly up to take a look at the site. The parcel was in a new development and unfortunately had no individuality, separation, or sense of community. Just lots of lots. We didn't have to open the blueprints -- all we had to do was look at the 17 other products within a five-mile radius. Each one was identical to the plans our builder was considering. ... He was 'going with the flow'. ... he's now considering a major revision in his target market and product: a slightly wider, more upscale product designed on a diagonal to hide garage doors and create the illusion of single-family."[37]

Another example of buying a day of consulting time was sought not directly by a builder, but by an architect asked to develop plans without any marketing direction. The architect was troubled enough to approach a consulting firm for their opinions. The client had land forty miles out from downtown in one of

"the swankiest parts of the countryside. The client asked the architect to design a condominium, just like the successful rentals he had done. ... But apparently he was troubled enough to come in to see us, so after looking at his version of a condominium, which ended up looking like everyone else's rental, we asked why anybody could want to build a three-story walk-up way out in such a countrified, swanky suburban atmosphere. The answer was that the client had ordered a condo and at 10-to-the-acre had instructed him to produce a building like the rubber-stamped horrors they were building as rentals in town.

What boggled our minds was the logic of asking an architect to provide plans without marketing direction. So we began the third degree that any good marketer would do long before putting felt tip to tissue. We asked: Why would anyone want to live in a three-story walk-up in a country setting? What is the age of our prospect? Where is he coming from? Where does he work? What is he looking for in the way of square-footage? In price? Is he really interested in buying a condominium? If so, what type of condominium? And the most important question of all: If 10-to-the-acre is the density you are seeking, why bother to go to a three-story walk-up flat when there are so many multifamily products that look and feel like single-family?

Without any further evidence or research, the facts led to a reasonable assumption: This product and concept could not be desirable in the

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[37] Schreft, Bernard S., "Dare to be Different," *Builder*, May 1988, p.30.

marketplace. The atmosphere of the area and community did not justify this kind of density or that kind of product."[38]

2.6.2 Cooperative Studies

Another option, particularly where small builders cooperate in a master community, is to commission a market study as a group. If even this approach is not affordable, the National Home Builders' Association suggests the builder look at two basic issues: if and what you should build. To determine if you should build, it is essential to look at local demographics. At the very least the following issues should be studied:

- the area's population flow (is it increasing or declining and at what rate?)
- the type and rate of household formation (are potential customers singles, single parent families, married with no children, families with young children, families with teens, empty nesters, or retired?)
- income levels (what can potential customers afford to pay for a new home?)
- employment (what is the ratio of permits to employment?)

Employment is a key factor to demand in most markets (except of course the retirement housing market). For example, if there are 100 permits to only 70 jobs, the market is overbuilding.[39] This type of market information is available from numerous sources including local home builders' associations, the local chamber of commerce, municipal planning or housing departments, and federal or provincial census data. (Information sources are further discussed in Section 6.)

Another type of cooperative study is one undertaken by builders' associations and made available to builders. For example, a recent National Association of Home Builders' survey questioned 1,776 new-home buyers about what buyers want and are willing to pay for. Although they would compromise on home size, quality, and many amenities, the survey found buyers in general will travel far and accept unfinished space. Information is summarized in an article in the

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[38] Schreft, Bernard S., "Involve Your Designer," *Builder*, June 1988, p.10.
[39] See footnote 1.

Association's publication *Builder*. Complete survey information is available from NAHB for $100 U.S.[40]

Builders can also benefit from industry information when they participate in association surveys. The *Habitat 2000* survey of Canadian builders for example, not only profiled builders across the country, but also provides information about builder niches, consumer priorities when buying, and what challenges builders anticipate in the coming year.[41]

Smaller builders also have the opportunities to learn from larger builders, the majority of whom spend money on market research. For example, *Professional Builder* surveys "the giants" and presents the findings annually which include such issues as marketing themes, hot products, and buyers they'll go after.[42]

Another example of a cooperative approach to solving housing problems was a rather unique thirty-hour brainstorming session to demonstrate how more affordable forms of homeownership could be produced within the greater Metro Toronto area. The Toronto Home Builders' Association organized some 100 individuals -- including developers and home builders, architects and engineers, planners and marketing consultants, municipal politicians and staff, provincial and federal government officials, lawyers and financial experts -- to demonstrate how new homes could be made affordable to a large number of Metro area residents. The industry needs to provide entry-level housing as well as move-up product. This report is particularly useful in that it presents solutions that are practical and positive for the building community, government, and the public. The report is available from The Toronto Home Builders' Association.[43]

The National Association of Home Builders of the United States has a comprehensive book available to builders entitled *Marketing New Homes*. This isa good, easy to read book written by two marketing experts. It tells builders how to develop a marketing plan and covers market research,

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40 "What Buyers Want And Are Willing To Pay For," *Builder*, April 1989, p.100.
41 See footnote 11.
42 See footnote 19.
43 Toronto Home Builders' Association (1988). *Affordable Homeownership Charette*. Toronto, Ontario.

marketing plans and budgets, and marketing strategies. Some of the information in Section 6 of this report is based on *Marketing New Homes.* [44]

2.6.3 Surveys: Mail-Out Questionnaires

Successful builders ***survey*** prospects and customers. "That means using market research techniques that range from the childishly simple (and affordable) -- a cup of coffee at the kitchen table with previous buyers -- to sophisticated psychographic studies conducted through direct mail campaigns (or surveys), exit polls at sales centres and focus groups." [45] Psychographic research supplements 'bare bones' statistics of demographic research by reflecting how an individual is likely to act in relation to consumer decisions. For example, potential buyers may be questioned about their lifestyle, activities, interests, or opinions. Such information would then be used to refine the builder's product, target advertising to potential customers, and more accurately reflect what consumers need and prefer in housing.

A mail survey conducted by St. Louis builder Taylor-Morley-Simon Inc. showed "buyers wanted to deal with a builder who had a good reputation and stressed quality. They also showed buyers wanted more value and less glitz ... ." As a result the builder developed a "Show You Wall" -- a cutaway display shows and explains 33 construction features and details (see Section 9, Case Studies).[46]

Houston's Village Builders found that builders should treat their homes as consumer products. "Research response to every aspect, just as marketers of toothpaste or automobiles do." Faced with stiff competition in a troubled market, they did just that. "We surveyed the market to find what people liked or didn't like about our product versus the competition. ... (For example) Our research told us consumers liked vaults, but did not perceive *value* even close to actual cost... We put our money where the research told us consumers would appreciate it."[47]

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[44] Clark, Charles R. and David F. Parker (1989). *Marketing New Homes.* Washington D.C.: National Association of Home Builders of the United States.
[45] See footnote 3. p.28.
[46] "How St. Louis Builder Sells Its Quality Construction Story," *Professional Builder,* July 1988, p.56.
[47] "Lessons from the Sunbelt," *Professional Builder,* June 1986, p.78.

Lewis Goodkin, president of Goodkin Research Corp., in Florida, suggests that builders talk to buyers of their homes if they want to do a better job on their next home or project. "Being successful is knowing what the market wants." Goodkin recommends builders conduct an on-site survey of buyers to find out what the builder could have done better to make the house a better place in which to live. "People appreciate having someone coming in and asking such a question. People have suggestions after having lived in a house for a little while." Visiting buyers in their homes can also reveal if a builder's merchandising and marketing are on target.

> "Go into the homes of the buyers and see how they have furnished the spaces. Find out if the interior design is on target. People want houses designed for themselves. Give people what they want, not what you think they want. ... Finding out why others choose not to buy is also important. A builder should not expect staff to know the answer. Prospects will not tell salespeople why they have decided to buy elsewhere. The builder should do his own consumer research and ask the prospects himself."[48]

Because market research efforts should not stop at the closing table, The Greenman Group Inc., an American research firm designed a simple mail survey for builders called *Because We Care.* The survey asks twelve questions about the product and builder. The results come back to the president or owner to keep the builder in touch with his clients, to increase customer satisfaction and to increase referrals to friends or family. A copy of the survey is provided in Section 6.

2.6.4 Surveys: Face-to-Face and Telephone Interviews

As mentioned in the previous section, interviews range from a cup of coffee with potential customers and buyers to planned interviews. Formal interviews can be conducted in person or by telephone. Both methods of interviewing permit elaboration of misunderstood questions and probing to clarify answers. In addition, the interviewer can add observation measures such as facial expression in face-to-face interviews.

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[48] "Past Buyers Could Help Find Future Ones," *Professional Builder*, April 1989, p.60.

Post-sales surveys or interviews are invaluable for smaller builders. "The buyer tells the builder what he did right -- so he can keep doing it -- and he tells him what he did wrong -- so he can stop." Buyers may be questioned about what housing problems they have encountered since they moved in, what features they like and dislike, and things they would change. For example, a builder was offering a greenhouse off the kitchen from plans and thought the design was brilliant. And so did the buyer. "But once it was built, it wasn't a very practical space -- the entrance was too chopped up. By just shifting a foot either way, which the buyers pointed out to us after, it did exactly what we wanted to do in the first place, and made a much better design." There was no extensive, expensive questionnaire. All the builder did was to sit down and talk to the buyer over a cup of coffee.[49]

An easy method of interviewing potential customers is through an ***exit poll*** or ***exit survey*** which uses a 'parking lot' interview, conducted immediately after the prospect has visited model homes. "By asking open-ended questions and analyzing the answers, ... a builder can use the technique to see if he is indeed in the right place at the right time. And if he's not, he still has time to make some changes." Once a project moves into full production, exit polls can see if advertising is attracting the proper prospects, and see how it compares to the competition down the street.[50] Exit survey questions may include consumer reaction to such issues as pricing, location, lot size, home features they liked and disliked, how they perceive the competition, as well as reasons for considering a move.

The literature also suggests that builders typically use informal interviews with customers and buyers. This approach is likely fostered because of the lack of building on speculation in the current market. Builders are thus forced to interview clients to determine what they want in a new home which is then customized to varying degrees.

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[49] See footnote 3, p.30.
[50] "Getting in Touch with Their Feelings," *Builder*, July 1988, p. 86.

2.6.5 Focus Groups

Focus groups are essentially group interviews usually composed of eight to twelve consumers with similar demographic backgrounds. Participants are brought together to discuss a certain product, project, or service usually under the direction of a trained moderator. Although the information is not projectionable to the target market as a whole (because of the small numbers of people involved), the information is nevertheless very useful. Focus groups may be used to:

- generate information helpful in designing consumer questionnaires,
- provide background information on a product (e.g., how a consumer's existing housing no longer meets their needs),
- secure reactions to new product concepts (e.g., a new form of housing such as congregate housing which offers supportive services to residents),
- secure reactions to proposed product positioning (e.g., response to your proposed product compared to the existing competition),
- secure reactions to advertising and promotion (e.g., consumer reaction to various builder advertising messages including your own),
- stimulate new ideas (e.g., new housing features or designs), and,
- interpret previously obtained quantitative results (e.g., probing for reasons for answers obtained from a survey).[51]

Large, successful builders rarely miss the opportunity to survey prospects and buyers. Sifton Properties in London, Ontario for example, holds focus groups to determine consumer demand and interest. "We try to listen to what the consumer wants, and custom design our projects accordingly." The majority of their residential market is targeted toward the move-up buyer. To satisfy this market, a great deal of attention is paid to the kitchen and bathroom areas. "These areas, in our view, have been the key to the sale of a home in the past few years. We continue to expand and modify these two rooms to maintain our pre-eminence in single-family housing."[52]

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[51] Andreasen, Alan R. (1988). *Cheap But Good Marketing Research.* Illinois: Dow Jones-Irwin.
[52] Fennell, John, "Imagination Adds Quality," *Canadian Building,* September 1988, p.17.

Trammel Crow in Waltham, Massachusetts conducted extensive focus group interviews to see what the targeted buyers (empty nesters and young couples) wanted in a village development. From the research information gathered, the architect designed volume spaces with an open, airy feeling. Each unit was designed with a private, elaborate master suite containing a dry vanity (make-up table) and separate shower stall. Models opened in September of 1987 and Trammel Crow had 146 units out of a total 187 units sold by July.[53]

The builder/developer of the Promenade in Las Vegas, Nevada, conducted focus groups to learn what prospects wanted in senior housing. The topics involved lifestyle preferences as well as design.

> "Floor plans and elevations were presented to the focus groups to learn their likes and dislikes. Of course seniors wanted a home they could afford, a single-level home (no steps or stairways), a convenient location and plenty of recreational amenities within the community. But the focus group also wanted front porches, two-bedroom, two-bath units, separate tub and shower, ceramic tile countertops in the single-family homes and plastic laminate in the townhouses, a breakfast bar, range controls on front of the appliance and low maintenance exteriors including little yard maintenance."

The housing and amenity package was the result of a year-long study of the local market by Jim and Pam Hammer, who own Westar. Sales began in October and by mid-December of 1989, 63 of the 179 available units had been sold.[54]

Jim Tilton of Ray Ellison Homes believes "The real value of focus groups ... is not coming up with new discoveries, but in confirming what we already suspect is true." During better years in Texas, the company used focus group feedback to completely dominate the San Antonio market. This market is considerably cooler now, but Ellison still has the major share. He says research is more important than ever to his firm's success.

> "In our depressed market, we're now more concerned about profitability than market share, so we're trying to find small niches and serve them

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[53] "Focus Group Interviews Find What Buyers Want," *Professional Builder*, September 1988, p.130.
[54] Adams, Eli, "Lifestyle Choices for Seniors," *Professional Builder*, March 1989, p.140.

> efficiently. We used to build several hundred houses in the community. Now we build 50 or 60. ... If you want to survive in this kind of market, you have to minimize your chances of error. That's when this kind of research is essential." [55]

Richard Kraemer, a builder in Arizona, canvasses every resident within a three to five mile radius before his company builds in a new area. Generating information costs Kraemer about $2,500 to $7,500 U.S. per project. Focus groups cost an additional $5,000 to $10,000. But to him the money is well spent. "Many times builders load up houses with things people won't pay for. By finding out what they will pay for, we save in the long run." Furthermore, every buyer receives a two-page survey within thrity days of moving in.[56]

The focus group approach was used in the New Jersey area to come up with, and evaluate, the "Working Woman's Dream Home." Targeted for the upscale market, the focus group's ideas ranged from a rotatable closet for summer and winter clothes, a woman's office off the living room, to built-in shelves for children's toys in the recreation room. After product completion, the women were brought to see the final product. Buyers were surveyed for feedback six months after they became owners.[57]

However, smaller builders cannot typically afford the kind of research dollars larger builders like Kraemer spend. Andy Brethour, a Toronto research consultant, notes

> "If a small builder, in a smaller community, did one focus group every quarter from the prospects coming through his sales offices, that would be very economical (about $2,500 Canadian each session) both as a test, a reassurance for what he's doing today, and as insurance for the future. It's a measuring tool. But it still doesn't replace good intuitive judgement and doing an analysis of what your competitors are doing. In fact, the small builder ... can and must put the houses he builds up against the competition on a head-to-head, feature-to-feature basis to find that one point of differentiation upon which he can capitalize." [58]

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55 See footnote 50.
56 See footnote 1, p.45.
57 Fennell, John, "Wooing Buyers," *Canadian Building*, January/February 1989, p.16.
58 See footnote 3, p.30.

Focus groups may also be used to gather perceptions toward promotional materials. Marketing analyst John Gornall in Delaware held a focus group to look over an expensive, four-color brochure before printing. Based on the group's reactions, he ended up changing just about everything except the cover.[59]

2.6.6. Field Research

Market research also includes ***field research*** -- visiting the competition and "hot" markets with a camera. Builders (of all sizes) responding to a survey by *Professional Builder* rarely sit still. More than half visit building projects in other geographic markets at least one to three times a year."[60] Field research is essential for small builders too, according to market analyst David Parker of Clark Parker Associates in Jacksonville, Florida. Parker, who co-authored *Marketing New Homes* -- a do-it-yourself marketing approach for small-volume builders -- says builders can make up a simple form to fill out when scouting competing projects. "With a little experience you can visit eight to ten developments a day." Information such as project or unit location, community amenities, size, design, interior decoration, features, pricing, quality of workmanship and materials, and promotional efforts can be gathered.[61]

However, Howard Englander, a market consultant in California, warns builders not to rely entirely on the visual information gathered. It is important to talk to the competitor's salespeople as well, to get a feel for what is working and what is not. For example, several builder models may have a kitchen with a counter separating it from the family room. Salespeople for these builders found by talking to customers however, that most people prefer a kitchen that opens directly to the family room.[62]

To be innovative in their approach to building, each year Sifton Properties in London, Ontario makes "a swing through the U.S. -- particularly California

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59 See footnote 50.
60 See footnote 14, p.134.
61 See footnote 1, p.46.
62 See footnote 1.

where everything seems to start -- to look for ideas that can be incorporated with our own designs; something that will add a little extra to the home."[63]

Grupe Development Co. of Northern California offered everything the competition did -- and more in a lakeside community. There are thirteen competitive builders involved in the master-planned Laguna Creek development near Sacramento. Manny Schatz, vice president of marketing and sales,

> "went through every one of the competition's models and combed through every brochure looking for the *creme de la creme* in design details. He wanted a product that fell right in between everything the competition offered. 'I literally cut and pasted from all of their brochures to come up with an ideal floor plan'. ... Nine months previous to opening the company started monthly mailers. The mailing list was developed from people who had heard through the grapevine that Grupe would be building a lakeside community. ... The targeted market was move-up families. ... Thirty-five of the 60 homesites offered in the first phase sold out on opening day.[64]

2.6.7 Pre-Selling

Another technique, used before construction is started to determine what potential customers want is ***pre-selling.*** Most builders use this technique today because of the decline in building on speculation. Show models are used to sell homes and projects. This allows the customer to "see" what they are buying, yet allows for varying levels of customization. Builders on the other hand, remain at less risk in a less bouyant market.

Pre-selling is used by smaller builders as well larger ones. For example, this technique is used by Tridel Enterprises Inc., a large Toronto-based developer. "Call it what you will -- priority registration, pre-registration coupon, private purchaser or preview registration form -- it's the industry's way of plumbing the market before going to market. ... We know exactly what people want who want to buy a particular project. ... Pre-selling tells us if we're selling the right thing at the right price and the right site." [65]

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63 See footnote 52, p.17.
64 Hengstler, Laura, "Campground Atmosphere Sells Laguna Lake," *Professional Builder*, March 1989, p.55.
65 Zabas, Al, "Condomania Continues," *Canadian Building*, May 1988, p.14.

2.6.8 Other Techniques

Other market research techniques and examples of their application are provided below:

- analysis of records (e.g., reviewing customer profile cards for information and trends).

For example, an advertising company prepared a new ad campaign for the Franciscan Hill condominium community in Southern California after sales came to an abrupt stop. A hired consultant conducted a buyer profile and found that 80 percent of the owners were divorced, and the majority were women. An advertising campaign was then designed to appeal to this market and the remaining units were sold in a matter of weeks to more divorcees.[66]

- reading consumer surveys conducted by, and published in, trade magazines (e.g., for design preferences and consumer trends).

For example, *Builder* magazine's 11th annual survey focuses on luxury: what buyers demand in homes costing $300,000 or more. Over 1,000 interviews of home shoppers at showhome sites in fourteen states in the U.S. were conducted by a private research firm. The survey results indicate who luxury buyers are, what they are looking for in architectural style, floor plans, outdoor amenities, and interior and exterior features, and what they're willing to spend.[67] Although the results represent American consumers, Canadian builders can learn from the results as well and test ideas on local buyers through the various market research techniques presented.

- studying or analyzing the details of consumer surveys can reveal many opportunity gaps -- the difference between consumer preferences and what builders are already offering -- for the alert builder.

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66 "Ads That Tout Lifestyles, Not Elevations," *Builder*, December 1988, pp.44-48.
67 Pearsen, Clifford, "Home Buyer Survey," *Builder*, July 1988.

For example, the *Professional Builder's* 15th Annual Consumer Survey indicates there are many opportunity gaps between what the consumer wants and what builders offer, particularly in bathrooms and kitchens. An overwhelming 86 percent of consumers want a medicine cabinet in the bathroom for example. However, only 60 percent of builders offer a medicine cabinet as standard equipment. That is an opportunity gap of 26. There is an opportunity gap of of 20 for kitchen ceramic wall tiles -- 49 percent of consumers want this feature, only 29 percent of builders offer it as a standard feature.[68]

- attending seminars, conferences, or conventions.

For example, the 1989 NAHB Convention in Atlanta offered the best of seminars, services, and supplies available to the housing industry (in the United States).

> "The builders who don't show up are, sadly, the ones who need the convention most. They're the ones who struggle through each day without knowing or growing, without learning new techniques, tactics, and strategies from their peers. They're the ones who, for years, haven't upgraded their designs, appliances, decorating, policies, or procedures to meet the everchanging targets in the marketplace. As I've said before, builders everywhere should make it a point to to go to the convention each year. They can't afford to miss all the knowledge, contacts, and experiences that will help them stay ahead of the competition."[69]

Closer to home, The 1988 Alberta Home Builders' Association Annual Conference held a seminar on opportunities and challenges in retirement housing by Thomas Lumsden. All builders interested in this market should have been there.

- purchasing surveys from large publishing/research firms commonly advertised in trade magazines.

Although the Consumer survey by *Professional Builder* is well summarized in *Professional Builder* magazine, the detailed survey that includes statistical

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[68]Wells, Karen, "What 1989 Buyers Want in Housing," *Professional Builder*, December 1988.
[69] Schreft, Bernard S., "Get the World into the Field," *Builder*, April 1989, p.26.

breakdowns on buyers is available for $320 U.S. -- much less than it would cost builders to conduct this type of research even at a local level. And even though the results are based on American consumer responses, builders in Alberta could test the findings by using interviews or focus groups to refine ideas at an affordable cost.

In summary, although the literature about market research among builders is relatively sparse (and private studies are not publicly available), it suggests that market research is becoming increasingly important to builders. Locally for example, large developers such as LaVida Communities Incorporated in Calgary conduct market research. LaVida spent two years researching the 55+ market segment before developing two major retirement communities in Alberta (one in Cochrane and the other in Airdrie). Ontario government representatives in Alberta for a retirement seminar hosted by Alberta Municipal Affairs commented that, based on their research, these communities were two of the best planned developments they had seen.[70] On a smaller scale, Bill and Leslie Donald decided to enter the housing market with a development for retirees in Whiterock, British Columbia. (Leslie had worked in the health care field, Bill was a civil engineer.) They spent 18 months researching the market before starting Ocean Park Village, a seventy-five unit townhouse project. "We built the project in phases. The first unit was completed at the beginning of January 1986 and it was sold immediately when we opened for viewing. Other units were sold even while they were under construction and so far (as of about June) we've sold 39" units.[71] However, it is still unclear to what extent builders in Alberta conduct/use market research and if so, which approaches are/would be most valuable and affordable. This study attempts to shed some light on these issues in Section 5 Survey Results. In addition, Section 6 presents a 'how-to' approach to market research, Section 7 provides marketing strategies for builders, and Section 9 details several case studies.

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[70] "To the Editor: On the Elderly," *Canadian Building*, November/December 1987, p.11.
[71] Jansen, Doug, "Seniors' Developments Open New Avenues," *Canadian Building*, July/August 1987, p. 20.

3.0 RESEARCH METHODS

3.1 Methods and Stages of Research
3.2 Sample Design and Size
3.3 Data Analysis

3.0 RESEARCH METHODS

This section outlines the research approach taken to ascertain the state of market research within the home building industry in Alberta, the selected sample of builders, and the methods used to analyze the collected data.

3.1 Methods and Stages of Research

Two research methods were used to collect information from two groups of individuals. First, representatives of local, provincial, and national builders' associations were interviewed for their views of market research within the residential building industry in Alberta. (The interviews are summarized in Section 4.) The second stage of research involved a short but detailed mail questionnaire sent to new home builders. (The results of the survey are presented in Section 5.)

3.2 Sample Design and Size

Builders enrolled in The New Home Warranty Program of Alberta were selected to participate in the survey. Three hundred and seventy-seven builders from the Edmonton, Red Deer, Calgary, and Lethbridge areas were sent a copy of the questionnaire with a covering letter to explain the study (see Appendix A). The sample included small towns near each of the four major centers.

3.3 Data Analysis

Questionnaire responses were computer coded and analzyed. Frequencies were obtained for each question (Appendix A) and data was analyzed to determine if there were any significant differences due to location, size of builder, education, age, or building experience.

4.0 ASSOCIATION INTERVIEWS

4.1 Do Builders Conduct Market Research?
4.2 Reasons for Not Conducting Market Research
4.3 Is There a Need for Market Research?
4.4 Who Should Promote Market Research?

4.0 ASSOCIATION INTERVIEWS

This section summarizes interviews conducted with representatives of local, provincial, and national home builders' associations for their views with respect to market research within the industry. The following individuals were interviewed:

• John Hrynkow	Chairman, Sales and Marketing Committee, Edmonton Home Builders' Association.
• Brian Honeywell	Chairman, Sales and Marketing Committee, Calgary Home Builders' Association.
• Bill Forbes	Executive Director, Alberta Home Builders' Association.
• Mary Lawson	Chairman, Sales and Marketing, Alberta and Canadian Home Builders' Associations.

4.1 Do Builders Conduct Market Research?

According to the association representatives, very little formal market research is conducted by builders. The few builders who conduct formal market research are typically larger builders, developers, or the "keeners" who also attend all the industry seminars, conventions, and conferences to learn all they can about their market(s). Small builders tend to conduct very informal market research such as talking to their customers and visiting the local competition or other areas of Canada or the United States.

4.2 Reasons for Not Conducting Market Research

Most builders have a construction background; few builders have any background or education in marketing and therefore lack an understanding of market research and its importance to their business. Even for those builders who do understand market research, if sales are good they may not see the point. Some builders merely copy successful builders or follow general trends (local trends or trends from areas such as California, Texas, or Arizona).

Another reason for not conducting market research is that most small builders lack the time and/or money (due to low margins). In addition, it is currently not easy to obtain lots; therefore, builders work with customers on a pre-sell basis and build what the customer wants anyway.

4.3 Is There a Need for Market Research?

According to the above industry representatives, there is a critical need for market research for all builders. For example, opportunities and new markets within the industry should be researched. Builders and developers should also realize that they are all in the new home market and should not be competing against themselves but against the resale market. There could also be more sharing of information among home builders and developers.

4.4 Who Should Promote Market Research?

Not everyone involved with home builders' associations is convinced market research is a high priority. It therefore must be promoted by the national, provincial, and local associations, particularly through the sales and marketing committees. It was also suggested that government could encourage market research, perhaps by providing incentives or partial funding of builder market research initiatives. Consultants provide market research information to builders directly and indirectly, but builders themselves must be convinced that market research is an investment that can benefit their business before they personally will promote it.

5.0 SURVEY RESULTS

5.1 Builder Profiles
5.2 The Status of Market Research in Alberta
5.3 The Potential for Affordable Market Research

5.0 SURVEY RESULTS

Information in this section was based on a mail survey sent to 377 members of the New Home Warranty Program of Alberta in the Edmonton, Red Deer, Calgary, and Lethbridge areas. Ninety-one builders (24%) completed the questionnaire. (A response rate of 20 to 35% is considered excellent for a mail survey.)

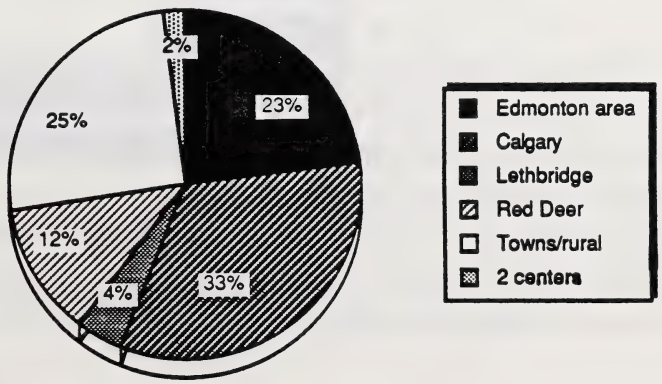
Survey data was summarized according to the number of builders who responded to each question, and where applicable, significant differences were noted among builders. Most survey questions were also analyzed by the following: the four major areas, size of builder, age, experience, and education. A detailed summary of responses for each question is provided in Appendix A.

This section discusses builder profiles, the use and value of market research in Alberta, and the potential for affordable research.

5.1 Builder Profiles

Of the 91 completed surveys, 53 builders were from Edmonton and Calgary, 15 from Red Deer and Lethbridge, and 23 from smaller cities and towns (Figure 5.1). The proportion of responses is representative of the number of actual builders in each of the four areas.

Figure 5.1 Builder Location



Does not add to 100% due to rounding

Typical survey respondents were owners or presidents (Figure 5.2) between 25 and 45 years of age (Figure 5.3). The typical builder has more than 10 years experience in the industry (Figure 5.4) and a university or trade/technical institute education (Figure 5.5).

Figure 5.2 Position of Respondent

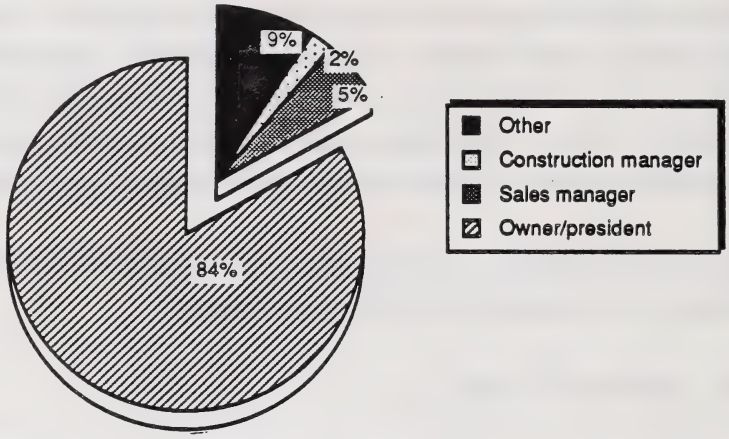


Figure 5.3 Age of Respondent

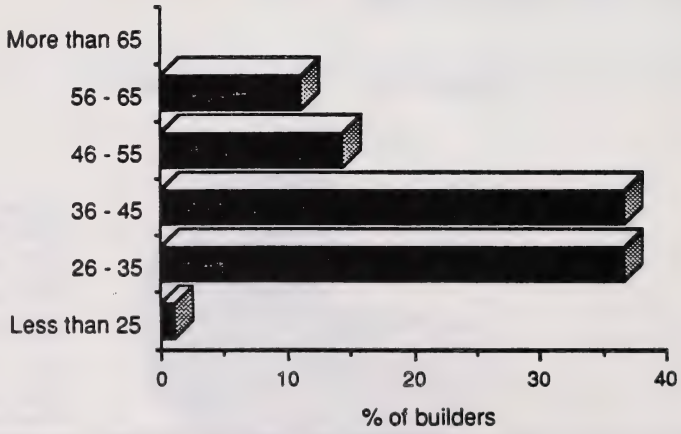


Figure 5.4 Building Experience of Respondent

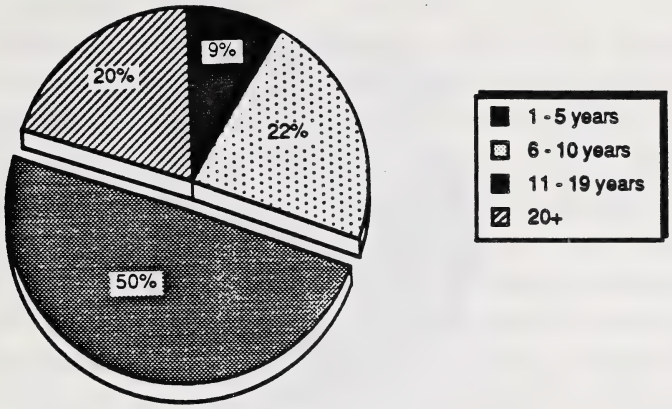


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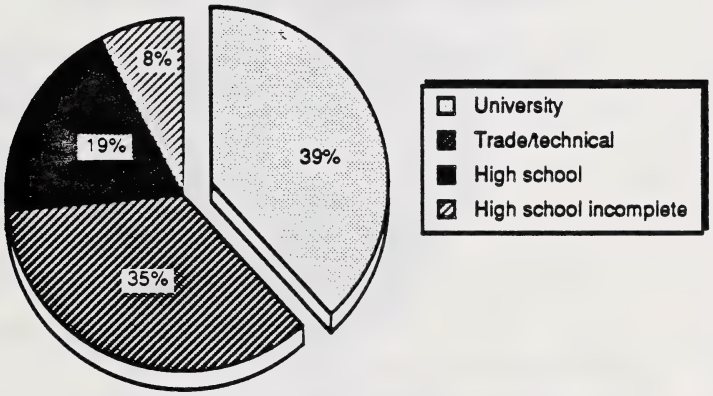
Figure 5.5 Education of Respondent



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As in the review of literature, this survey also found that the vast majority of builders in Alberta are small firms. Nearly 3 out of 4 builders are limited companies (Figure 5.6) which have five or less full-time employees (Figure 5.7) who completed less than 25 units in 1988 (Figure 5.8). Specifically, although the number of full-time employees ranged from one to 100, the median (middle value) was four employees. The number of units completed in 1988 was a wide range from zero to 334, with a median of 9 and an average of 27 units per year.

Figure 5.6 Ownership Structure

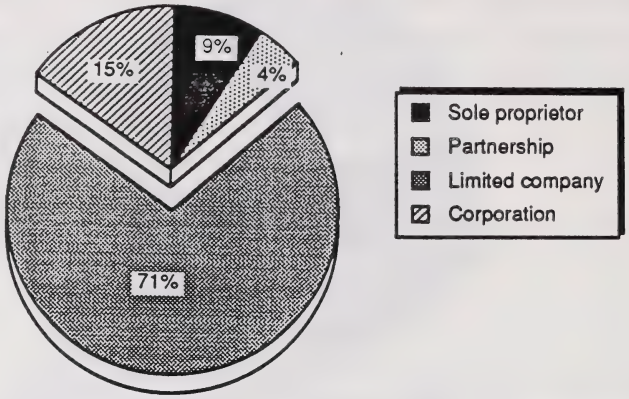

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Figure 5.7 Full-Time Employees

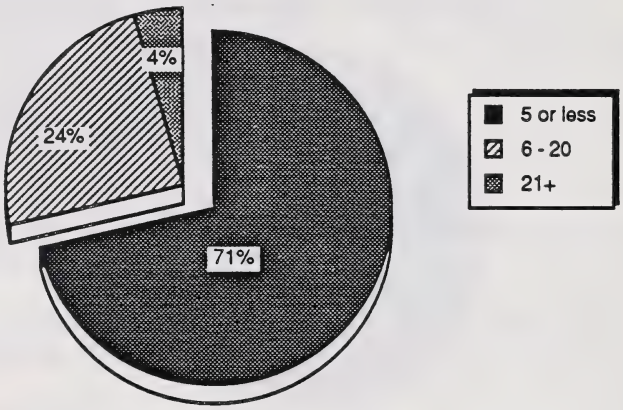

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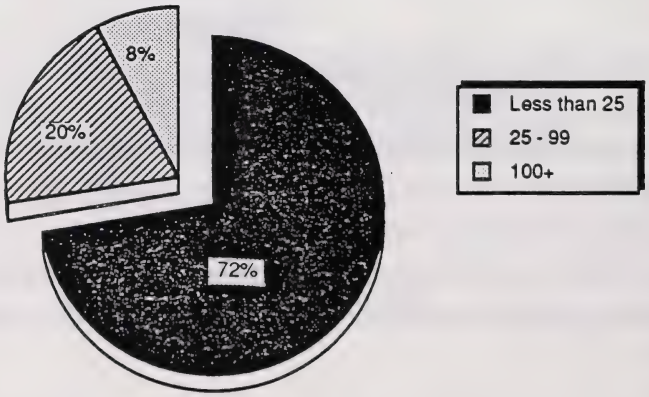
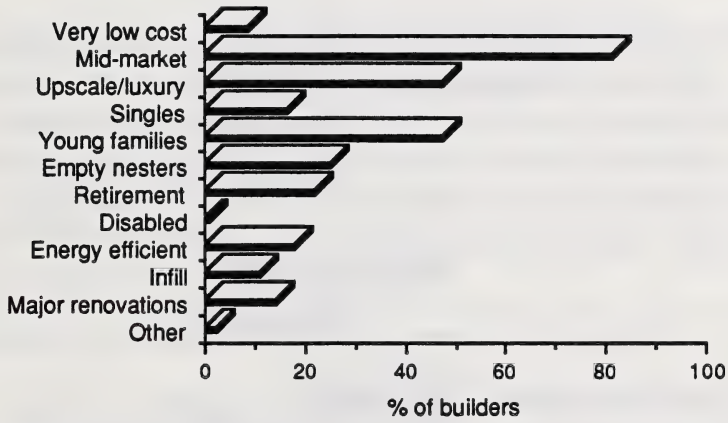
Figure 5.8 Units Completed in 1988



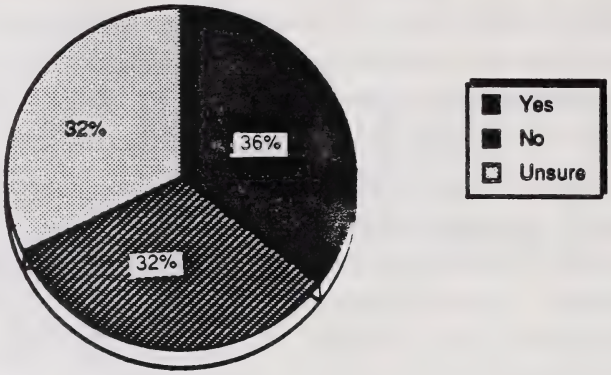
In terms of market niches, 81% build for the mid-market (Figure 5.9). Popular niches include the upscale/luxury market, homes for young families, and empty-nesters or retirement housing. Relatively few builders target housing for the disabled, very low cost housing, infill, or housing for singles. As indicated in recent survey by Habitat 2000, there may be opportunities in these relatively uncrowded, although somewhat challenging, markets. Another opportunity area is that of major renovations; only 13 builders indicated they are involved in this market. It is also interesting to note that only 18 % of Alberta builders who answered this survey specifically indicated that they build energy efficient homes compared to 25% of Canadian builders who responded to the Habitat 2000 survey.

Figure 5.9 Builder Market Niches



About one-third of builders plan to enter new markets within the next two years (Figure 5.10). Of these 32 builders, a greater proportion are medium to large builders. There tends to be more uncertainty among smaller builders. Further, as the educational level of builders increased, so did the tendency to consider new markets. In addition, two out of three builders anticipating new markets thought market research is, or will be, an important element of building homes.

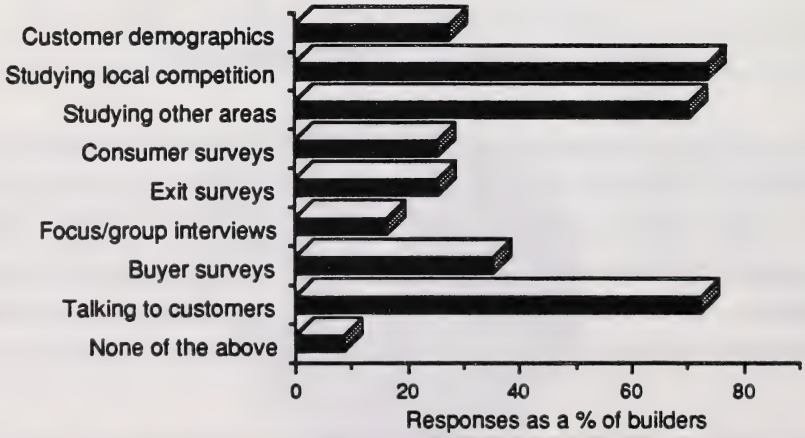
Figure 5.10 Builder Expectations of Entering New Markets



5.2 The Status of Market Research in Alberta

Nearly three out of four builders conduct some form of market research (Figure 5.11). Although this research tends to be informal (i.e., studying/visiting the local competition, studying/visiting builder projects in other areas, and talking to their customers to find out what they prefer in a new home), particularly among smaller builders, it is nevertheless market research. The majority of builders found such informal methods "useful or very useful".

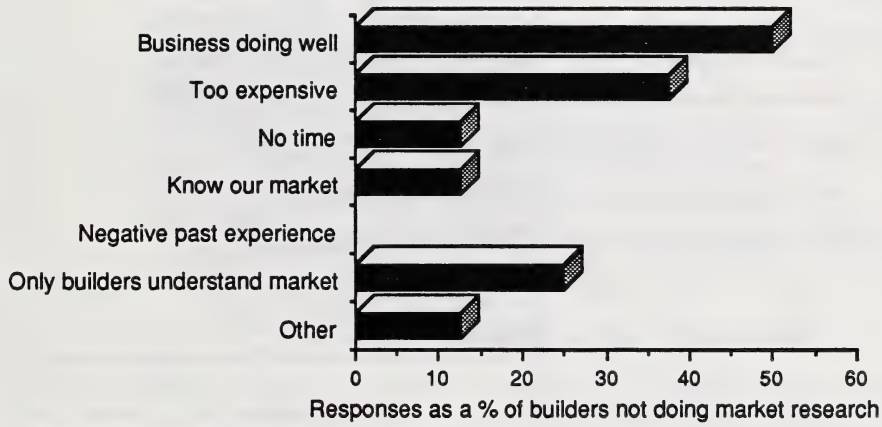
Figure 5.11 Types of Market Research Conducted



In terms of formal market research, one-third of builders interviewed buyers and one out of four profiled customers, surveyed potential customers about proposed or new projects, or conducted exit surveys (i.e., surveying visitors to show homes). Builders who build more than 25 units per year tend to conduct more exit surveys, focus or group interviews, customer and prospect surveys, and more visits to the competition.

Eight builders (9%) indicated they did not conduct any of the market research activities listed. The reasons were as follows: four replied their business was doing well, three said research was too expensive, two thought only builders really understand this market, another did not have time, one knows the market, and one said no initiative was taken (Figure 5.12).

Figure 5.12 Reasons for Not Conducting Research



What motivates a builder to study or research the market or customers? Over half indicated the following: to gain an advantage over the competition, to help make a business decision, to reduce risk, or to increase customer satisfaction (Figure 5.13). Interestingly, 11 percent were motivated to use market research for troubled projects or poor business. Specific research objectives varied from collecting information on market areas, competition, customers, and new products or services, to analyzing company strengths or weaknesses (Figure 5.14).

Figure 5.13 Motivation for Market Research

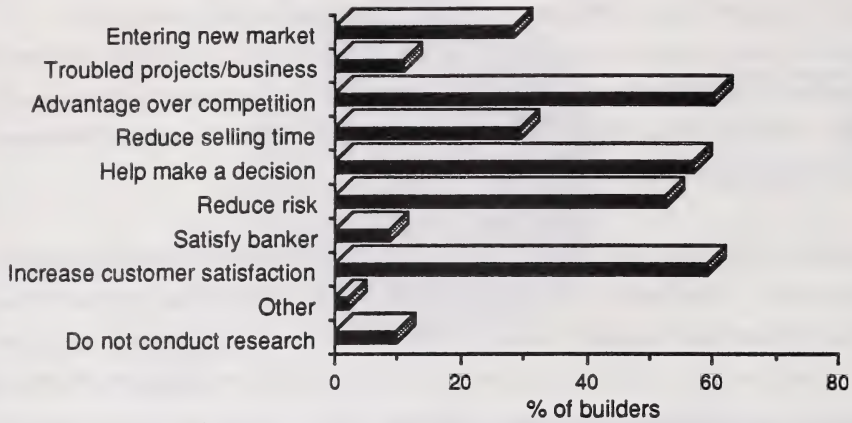
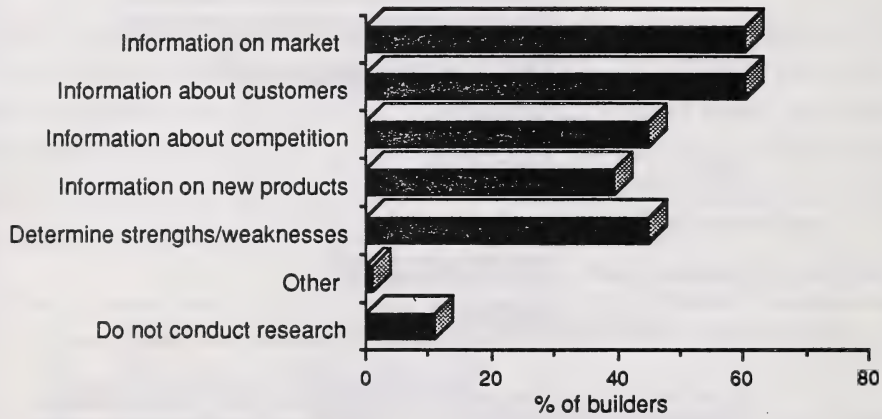


Figure 5.14 Market Research Objectives



Over three-quarters of market research is done in-house by a builder's own staff (Figure 5.15). Larger builders tend to use more outside consultants than smaller ones (12% versus 7.5%). Typically, the owner or president is primarily responsible or oversees any market research (Figure 5.16). Of the 63 builders who indicated they conduct formal or specifically planned research, half do so on an ongoing basis (Figure 5.17).

Figure 5.15 Methods of Conducting Market Research

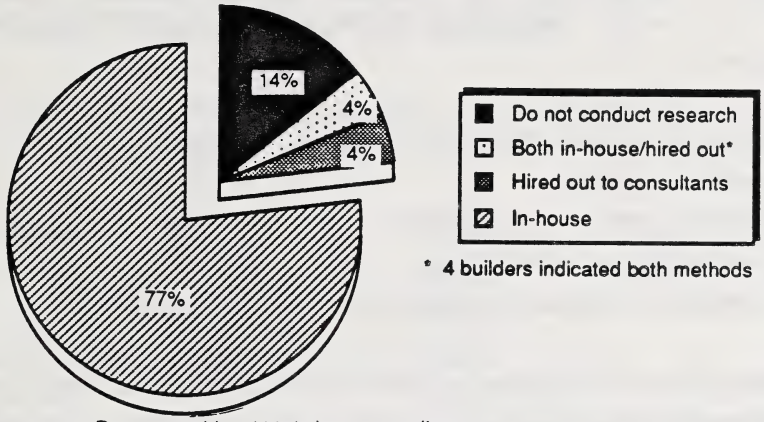


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Figure 5.16 Market Research Responsibility

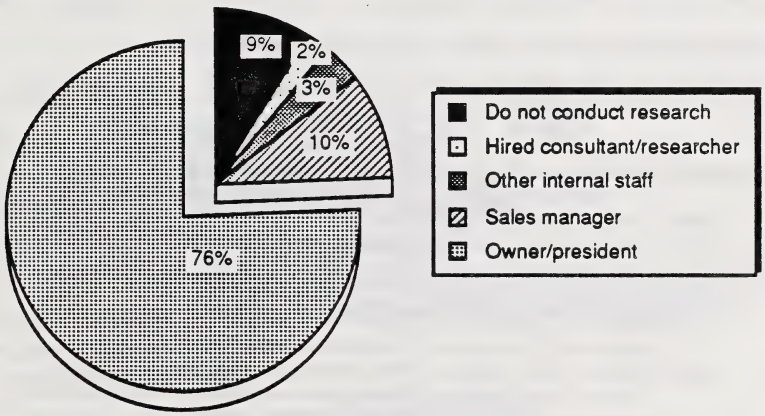
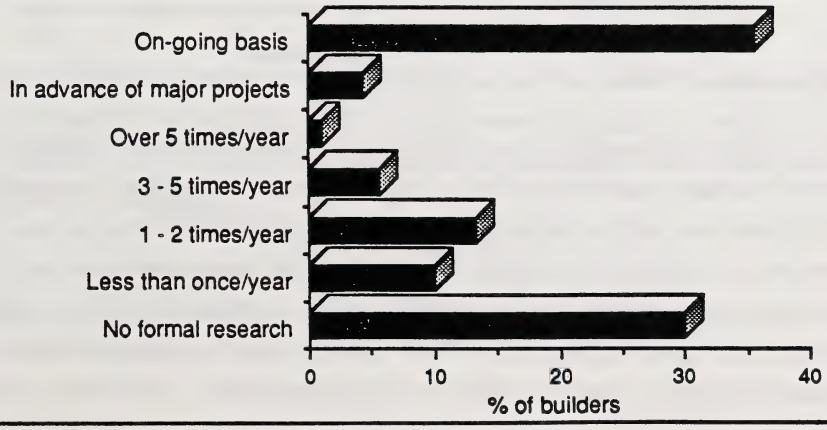


Figure 5.17 Frequency of Formal Market Research

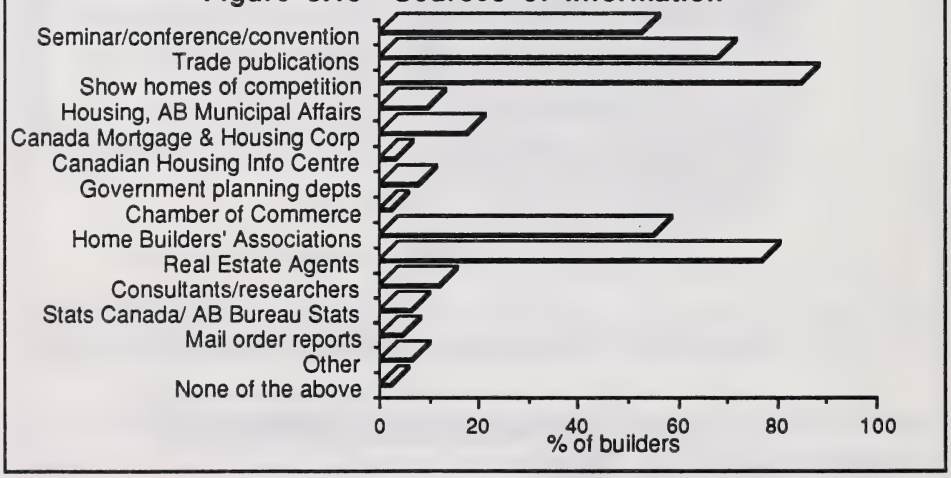


The most widely used sources of market research information are (also see Figure 5.18):

- competitors' show homes or models (85%)
- real estate agents (77%)
- trade magazines or publications (68%)
- home builders' associations (55%)
- seminars/ conferences/conventions (53%)

Although such a high percentage of builders visit the competition for information, this does not necessarily justify the "Monkey See, Monkey Do" theory discussed in the review of literature. Most builders use the competition as one source, not the sole source, of information. However, some builders probably use their competition in a copy cat fashion.

Figure 5.18 Sources of Information



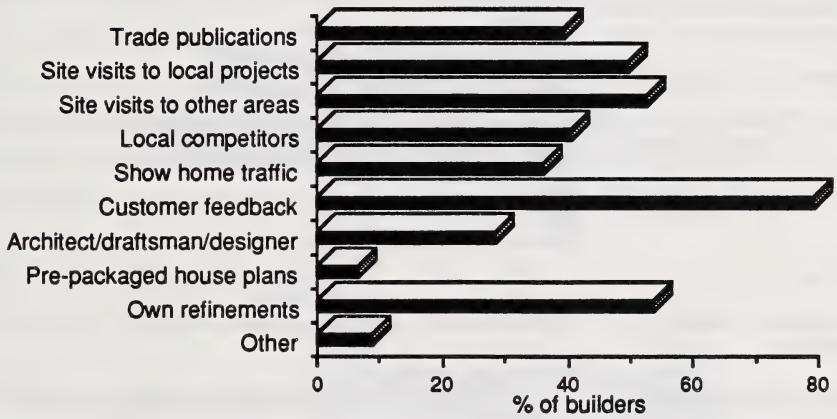
A greater proportion (nearly twice the number) of larger builders indicated they used home builders' associations as a source of market research information. Although there is an abundance of information available from the various levels of government, relatively few builders indicated they use government sources. Canada Mortgage and Housing Corporation was the most commonly used government source at 18 percent. The Housing Division of Alberta Municipal Affairs was used by 10 percent of the survey respondents. In addition, only 12

percent of builders indicated they use information from consultants or market researchers, yet only 11 percent felt they could not afford it.

The most common sources that influence builder designs or plans are as follows (also see Figure 5.19):

- customer feedback (79%)
- refinement of own plans (54%)
- site visits to projects in other areas (53%)
- site visits to other local projects (50%)
- local competitors (40%)
- trade publications (40%)
- show home traffic (36%)

Figure 5.19 Factors Which Influence Designs/Plans

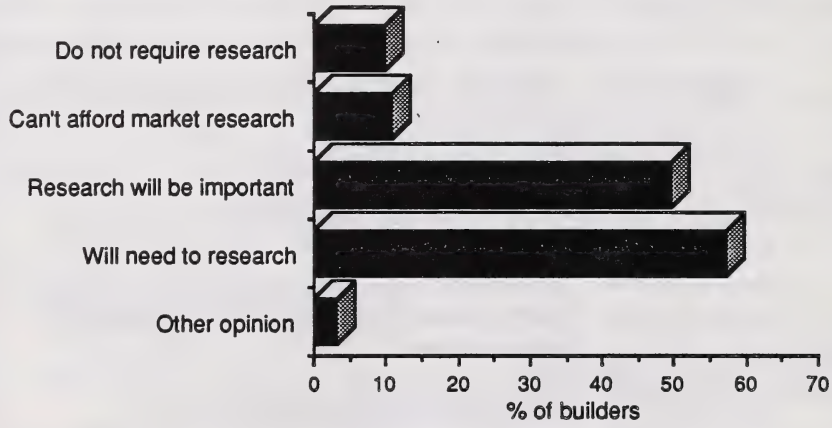


Again it should be noted that, although 7 out of 10 builders indicated they visit the competition, only 5 out of 10 felt they were influenced by what they saw. As one builder commented, "local competition provides some builders with comparison shopping".

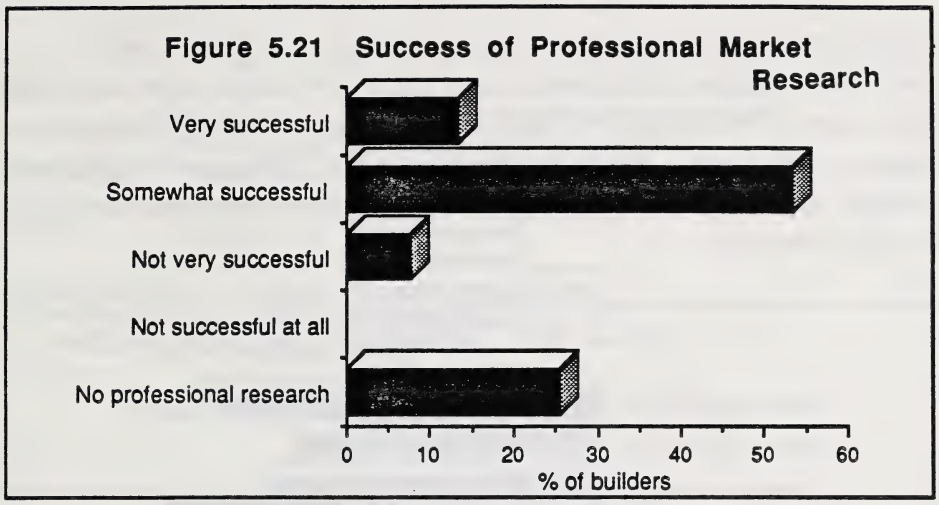
5.3 The Potential for Affordable Market Research

Opinions of market research were solicited as an opening question on the survey. One hundred nineteen responses were received on this question (Figure 5.20). Fifty-two builders indicated that builders will need to research the market as consumers become more sophisticated, and demanding, buyers. Forty-five builders felt that market research is, or will be, an important element of building homes because of factors such as slower market growth, increasing competition, and emerging new markets. Only nine builders thought they knew the market and customer well enough not to require market research; 10 builders said they could not afford it.

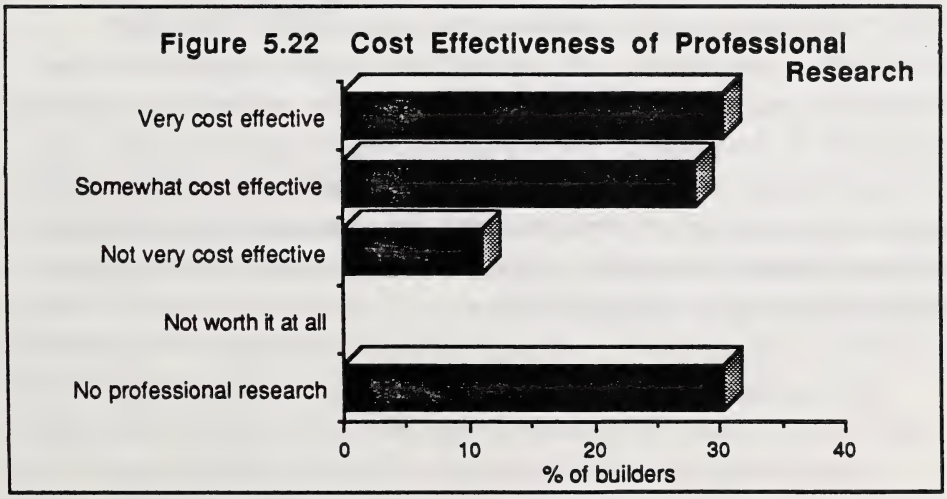
Figure 5.20 Opinions of Market Research



Of the 67 builders who rated the success of market research conducted in-house or hired out, all but seven thought it was somewhat or very successful (Figure 5.21). Builders defined "success" in terms of: usefulness of results, assistance with decision making, reduced risk, satisfied customers, providing service and innovations prior to sales, quick sales, and increased profit.

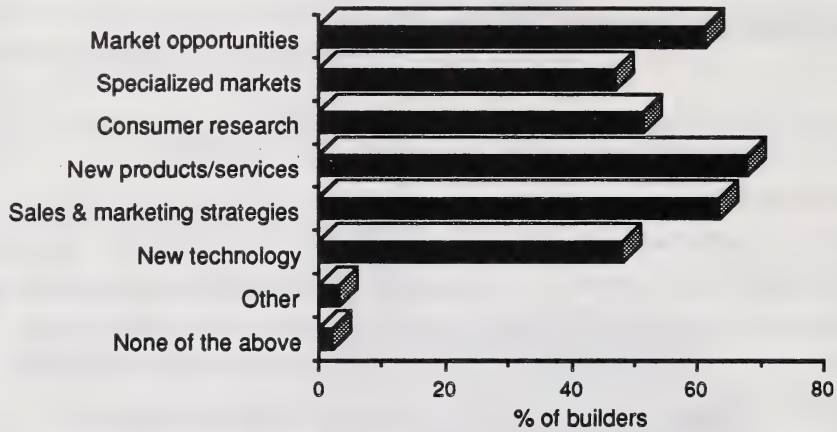


In terms of cost effectiveness, although 52 builders indicated that market research conducted was either "somewhat" or "very cost effective", 10 builders felt the research was "not very cost effective" (Figure 5.22). Builders who built more than 25 units a year found market research more cost effective than smaller ones. Cost effectiveness was defined by builders as: increased revenue due to money and time spent on market research, cost per unit, providing useful information at the lowest possible cost, improved and quicker sales, and in one builder's words "expense compared to results."

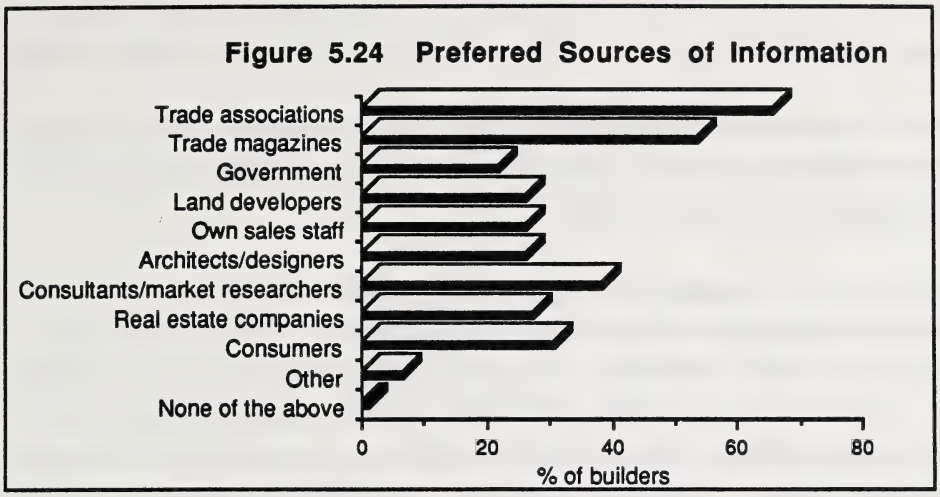


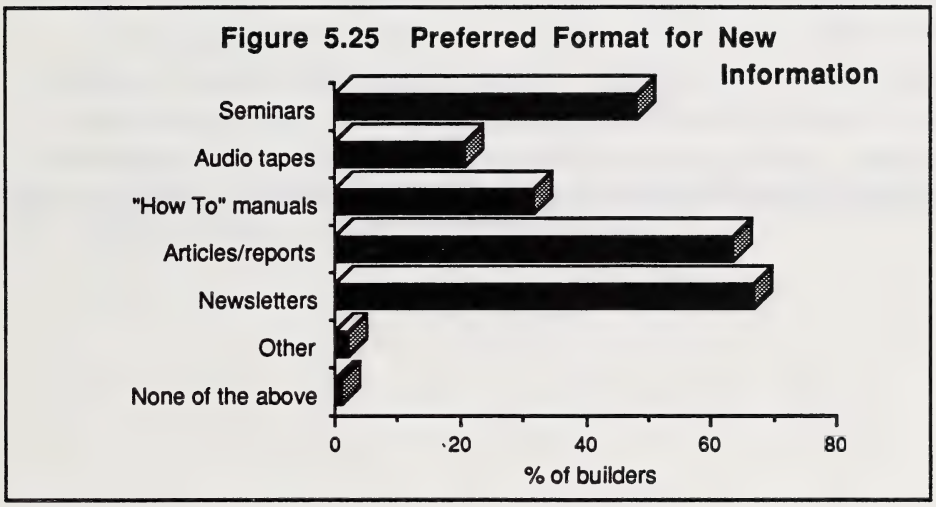
Builders were asked to identify areas of interest for potentially useful information. Figure 5.23 shows that two out of three respondents would like information on new products or services, sales and marketing strategies, and market opportunities. Nearly half would also like information on consumer research (e.g., preferences), new technology, and specialized markets (e.g., retirement housing).

Figure 5.23 Potentially Useful Information



The majority of respondents indicated that such information should be provided by trade associations through trade magazines (Figure 5.24). Over one-third also thought consultants or market researchers should provide such information. About one in four builders felt information should come from consumers, real estate companies, land developers, architects or designers, sales staff, or government. It is interesting to note that more builders (20%) indicated that government should provide information than actually used government sources. In terms of the format for new information, two out of three builders preferred newsletters, articles, or reports, while nearly half were interested in seminars (Figure 5.25).





In summary, the results of this study are, for the most part, consistent with the review of literature findings but also present new information about the status and value of market research in Alberta. The typical builder is between 25 and 45 years of age, has more than 10 years of experience in the industry, and has a university or trade/technical institute education. Most builders in Alberta are small limited companies which have five or fewer full-time employees who completed less than 25 units which were targeted to the mid-market in 1988. One in three builders plan to enter new markets within the next two years; however, these tend to be builders with a higher level of education or medium

to large builders. Two in three builders who are anticipating new markets thought market research is, or will be, an important element of building homes.

Two in three builders now conducts some form of specifically planned, formal market research. However, this finding is not always reflected in the literature because it is conducted in-house.

Builders study or research the market or their customers to gain an advantage over the competition, to help make a business decision, to reduce risk, or to increase customer satisfaction. The most widely used sources of information are: competitor's show homes, real estate agents, trade publications, home builders' associations, and seminars, conferences, or conventions. However, trade associations, architects or designers, consultants or market researchers, land developers, and government are also widely used sources. Information about market opportunities, consumer research, new technology, and specialized housing markets or niches is of substantial interest to builders. Articles, reports, newsletters, and seminars are the preferred information vehicles. However, because most builders are small firms, this information must be affordable or cost effective as well as applicable to the small builder.

6.0 PLANNING MARKET RESEARCH: A 'HOW-TO' APPROACH

6.1 Market Research Versus Marketing Strategies

6.2 Planning and Conducting Market Research

6.0 PLANNING MARKET RESEARCH : A 'HOW-TO' APPROACH

Before determining how to conduct market research, builders should ask themselves some basic questions about why and when they should do market research. According to Leigh Terry, Vice-President of Trillion Management Corporation in Ontario, builders should ask themselves how their product is seen by the consumer, what their perceived strengths and weaknesses are relative to the competition, and if and how their product should be redesigned. If these questions remain unanswered, market research is warranted. Gambling on your marketing approach may cost more money in the long run.[1] This section summarizes why, when, and how builders can benefit from market research.

6.1 Market Research Versus Marketing Strategies

As outlined in *Marketing New Homes*, the issues of what to build and where to build are no longer simple due to increasingly complex markets and more demanding and sophisticated consumers.

> "Builders should always keep in mind that intuition and creativity are only effective when balanced with hard facts about consumer characteristics, preferences and financial capabilities -- not to mention regular information on the builder's ability to attract and sell these consumers. Therefore, the continuing effectiveness of a marketing plan depends upon the accumulation of accurate and consistent information. This information, coupled with periodic research, forms the basis for a marketing plan and for modifications for the original plan in response to changing market conditions."[2]

Preferably once a year, a builder should address the following five components of a marketing plan -- the first three of which primarily involve *market research*, the last two, *marketing strategies* :

- **Assess the market in terms of housing suppy and demand.**
- **Evaluate the type and design of housing being built.**
- **Define new housing that is responsive to the market.**

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[1] Terry, Leigh, in "The Success of Homework," by Al Zabas, *Canadian Building*, April 1988, p.32.

[2] Clark, Charles R. and David F. Parker (1989). *Marketing New Homes*. Washington D.C.: National Association of Home Builders of the United States.

- **Establish, review, and modify marketing plans and budgets.**
- **Select, review, and revise the individuals and/or agencies to implement marketing plans.**

Although market research and marketing strategies are both elements of a marketing plan, *market research* assesses the market, consumers, and the competition, while *marketing strategies* generally relate to product positioning, market segmentation, public relations, promotion, advertising, image creation, and sales. Before marketing strategies can be effectively developed, market research should be undertaken to answer questions such as:

- What does the market want?
- Who will the buyers be?
- What is the competition?
- What will bring prospective buyers to the project?

The answers will in turn form the basis for the builder's product and services, and for strategies to attract this market.[3] In summary, before any business makes a decision to introduce new products or services, or even to change the color, style, or nature of existing products, some form of market research should be done. The results should be used to assist decision making, establish business objectives, and develop marketing plans and strategies.[4]

6.2 Planning and Conducting Market Research

The classic reasons cited for a successful residential development are 'location, location, and location'. Although the geographical area surrounding the site must be favorable, builders need to consider another important factor: *who* might be interested in buying a home in this location. Thus it is not sufficient for the builder to know the property and what could be built on it; knowledge of the *buyer* is also crucial.[5] What are the buyers needs, expectations, and preferences? An informal approach often misses opportunities and information important to decision making. This section details a formal approach to

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[3] "Ads Tout Lifestyles, Not Elevations." *Builder.* December 1988, pp. 44-48.
[4] McCready, Gerald B. (1982). *Marketing Tactics Master Guide for Small Business.* New Jersey: Prentice Hall Inc.
[5] See footnote 2.

market research which will enable a builder to better assess a current potential market.

6.2.1 Steps in the Market Research Process

Market research opportunities are more numerous than many builders might think. In many cases, a simple, relatively inexpensive research study can help a builder make a better decision. (It should be noted that market research plays a role in this decision making process; it does not provide a single, definitive answer.) A builder must, however, look for and recognize research opportunities and decide which ones to pursue -- either in-house or by contracting out. The following steps in the market research process help to organize and facilitate such decisions:[6,7]

- ***Determine if You Need Market Research.***
- ***Decide on Timing and Budget.***
- ***Select Appropriate Information Sources.***
- ***Gather the Information.***
- ***Analyze the Information.***
- ***Draw Conclusions and Take Action.***

Each of the these steps is detailed in the remainder of this section. A significant amount of this information is based on *Marketing for a Small Business* .[8] Builders who desire additional information on business or marketing plans should consult this concise and easy to read resource.

Step 1: Determine if You Need Market Research.

Superficial symptoms may cloud the central issue so, it is important to clearly define the real issues or problems facing a builder. A brief, preliminary investigation should be conducted in-house to assure justification of a research

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[6] Alberta Economic Development and Trade (1989). *Marketing for a Small Business.* Edmonton: Alberta Economic Development, Small Business and Industry Division.
[7] The Alberta Home Builders' Association (1986). *Development and Assessment of a Trial Course on Sales and Marketing Concepts for Today's Builder.* Alberta Municipal Affairs : Innovative Housing Grants Program.
[8] See footnote 5.

study. Sometimes a few telephone calls are all that is required.[9] By working through a ***situation analysis***, builders can determine 'where they are and where they are going' -- in essence, define their business. Situation analysis means taking a hard look at your business. A firm grasp of the existing situation is needed before one can begin to develop an effective marketing plan or conduct focused market research. Situation analysis should include a review of:

- business resources, properties, inventories
- cash flow, assets, and liabilities
- products or services you are selling
- sales results
- your customers, and how they have changed recently
- company image
- advertising and promotional effectiveness
- sales force effectiveness
- the business and political environment in your area, including potential opportunities
- competitor's actions
- problems recently encountered.

For example, past records of interested clients and ***buyer profiles*** are a good starting place to determine common consumer characteristics such as average age, income, where they moved from, if they are first time buyers, moving up or retiring, and which homes were most profitable. If a builder wants to find out more about his market or customer, or about potential markets, keeping and analyzing buyer profiles is an excellent method. A very general example of a buyer profile sheet is presented in Figure 6.1. Builders are advised to customize their own buyer profile sheets to include information pertinent to decision making respecting their products.

Builders may then determine if they are faced with problems or opportunities. In fact, some problems may be turned into opportunities by doing some research. Problems and/or opportunties should be priorized with the very important ones researched first.

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[9] See footnote 3.

Figure 6.1 Buyer Profile

Project/Subdivision _____ Year unit constructed _____
Anticipated target market _____

Summary of: ❒ Buyer ❒ Potential buyer

CONSUMER CHARACTERISTICS: (calculate % of consumers in each category)

Age range ❒ under 25 ❒ 25-34 ❒ 35-44 ❒ 45-54 ❒ 55-64 ❒ 65-74 ❒ 75 or older

Consumer grouping*
❒ singles ❒ tandems
❒ single parents ❒ couples
❒ professional couples ❒ traditional couples
❒ couples with children ❒ empty nesters ❒ seniors

 # children ❒ none ❒ 1-2 ❒ 3-4 ❒ 5 or more

Annual household income
❒ under $15,000 ❒ $15,000 - $24,999
❒ $25,000 - $34,999 ❒ $35,000 - $49,999
❒ $50,000 - $74,999 ❒ $75,000 or more

Existing equity
❒ under $25,000 ❒ $25,000 - $34,999
❒ $35,000 - $49,999 ❒ $50,000 - $74,999
❒ $75,000 - $99,999 ❒ $100,000-$149,999
❒ $150,000 or more

Type of home buyer
❒ first-time ❒ move-up
❒ empty-nest (move-down) ❒ retirement

NEW HOME CHARACTERISTICS:

Home type ❒ multi-family ❒ attached ❒ detached ❒ zero lot line

Home size # bedrooms: ❒ 1 ❒ 2-3 ❒ 3-4 ❒ 5+
❒ study/den ❒ family room

Parking ❒ open ❒ covered ❒ single garage ❒ double garage

Price range
❒ under $50,000 ❒ $50,000 - $74,999
❒ $75,000 - $99,999 ❒ $100,000 - $124,999
❒ $125,000 - $149,999 ❒ $150,000 - $199,999
❒ $200,000 or more

SUMMARY:

Existing market
Age range _____
Consumer grouping _____
Type of buyer _____
Price range _____
Home type _____
Home size _____

Potential market
Age range _____
Consumer grouping _____
Type of buyer _____
Price range _____
Home type _____
Home size _____

* A decription of each grouping is presented in Figure 7.1 in the next section.

If questions remain unanswered upon completion of the situation analysis, or the builder wishes to pursue new opportunities, then market research is warranted. First however, define what you want to find out and set research objectives (e.g., identify target markets: which groups of people are your customers; identify customer needs and preferences). If the research is to be contracted out, the more information a builder can provide a consultant, the more the consultant understands exactly what the builder's information needs are and the more accurate the results.

Step 2: Decide on Timing and Budget.

Ideally, market research should be conducted before entering new markets or prior to making changes to existing products or services. However, a builder is sometimes too busy to conduct, or even oversee, in-house market research. The builder should evaluate available resources to determine the amount of time, energy, and expertise that is required.

If the builder is confident conducting in-house market research, and has the staff and time to do so, it may be less costly than hiring a consultant. However, as previously mentioned, even in-house research should be of the highest possible standard since poorly conducted research can lead to bad decisions. In addition, if the research is required for major decisions or for financial backing, hiring a consultant may provide the necessary credibility.

Cost effectiveness and affordability are key issues for small builders. Consultants in Alberta generally charge between $500 and $600 per day. However, fees are often negotiable or a fixed product can be agreed upon for a fixed fee. Typical market research studies often fall into the $2,000 to $10,000 range.[10] There are also a number of activities a builder can try to keep in touch with the market himself.

---

[10] "Market Research: How Much is Enough?" *Builder*, April 1988.

Some tips for doing research at low cost include the following:

- Establish a contest or draw that requires show home visitors to answer a few simple questions about your product or service.

- Include a questionnaire about your product or services with a sales information package.

- Follow-up complaints with in-depth interviews to reveal unsuspected problems.

- Survey recent buyers to determine customer satisfaction.

- Survey non-buyers to determine why they did not purchase one of your homes.

- Attend local housing trade shows, seminars, conferences, and conventions.

- Participate in university, college, or trade school programs that require marketing students to complete practicum course work in the 'real' business world.

- Read various housing trade publications for consumer survey results, trends, and new opportunities.

If, after considering steps 1 and 2 in the market research process, a builder decides that market research is required, he should proceed with steps 3, 4, 5 and 6. Although most research experts agree that sophistication of market research tends to correlate with company size,[11] the 'how-to' approach presented in the following steps may be used by builders of any size.

---

[11] Eisenhart, Tom. "Advanced Research Finds a New Market." *Business Marketing*, March 1989.

Step 3: Select Appropriate Information Sources.

There are essentially two kinds of data -- primary and secondary. Primary data is information collected specifically for the purpose of the research being conducted. Secondary data are statistics not gathered for the immediate research being conducted but for some other purpose. Many people underestimate the amount of secondary data available. Using secondary information saves money and time. Therefore, only when secondary information is unavailable or needs supplementation, should one proceed to primary data collection by conducting new research.

There are three main sources of housing information and data that are readily available for market research: government statistics, trade associations and other organizations, and commercial market research companies. Figures 6.2 to 6.6 on the following pages provide an idea of the types of sources of market information for builders. The major source of government housing information is Canada Mortgage and Housing Corporation. Each CMHC provincial office has a market analyst who collects and publishes a wide variety of housing statistics which are generally free of charge.[12] The Canadian Housing Information Centre of CMHC in Ottawa is an excellent source of building industry information such as demographics (e.g., population, age, tenure, income, marital status, households, employment), housing issues, market trends, and consumer studies.

Another major source of secondary data is Statistics Canada. Census and survey information is available regarding population, income, and household characteristics. Statistics Canada has local offices in each province with staff who provide information free of charge. Most libraries also have some Statistics Canada publications.

---

[12] CHMC Halifax (1984). *Guidelines for the Preparation of Need and Demand Studies by Sponsors of Social Housing Projects.* Ottawa: Canada Mortgage and Housing Corporation.

Figure 6.2 Canada Mortgage and Housing Corporation

Canada Mortgage and Housing Corporation

Société canadienne d'hypothèques et de logement

CMHC MARKET ANALYSIS REPORTS KEEPING YOU INFORMED

CMHC is Canada's primary source of housing market information and analysis. The Market Analysis Centre in Ottawa works with market analysts and economists in each region of the country to produce informed assessments of economic and housing market trends at the national, regional and local level. These reports are available free of charge. Fill out the Business Reply Card opposite, to ensure access to informed market analysis.

NATIONAL HOUSING OUTLOOK

- A semi-annual report released in February and August of each year. The Outlook provides a short-term forecast of the national and provincial economies, housing markets, mortgage rates and the mortgage market.

BUILDERS FORECASTS

- Forecasts of the local new housing markets for all major metropolitan areas across Canada, published semi-annually. Each report includes a forecast of the provincial and local economy, interest rates and housing variables such as sales, inventories, prices, affordability, and supplies of labour and materials.

LOCAL MARKET HOUSING REPORTS

- Produced by local market analysts, these reports provide data and analysis of housing trends in specific regional and provincial markets.

MORTGAGE MARKET TRENDS

- A unique, quarterly report providing current data and analysis on developments in Canada's primary and secondary mortgage markets. The report includes information on mortgage demand, maturity terms, outstanding mortgages, repayments, mortgage rates and other significant trends.

REAL ESTATE FORECASTS

- Forecasts of local existing real estate markets for the major metropolitan areas across Canada, published semi-annually. Each report includes a forecast of the provincial and local economy, interest rates, and key housing indicators such as sales, prices, listings, and affordability.

RENTAL MARKET SURVEYS

- These reports provide current rental statistics for the major urban markets across Canada. Produced semi-annually by local market analysts, the reports are based on surveys of apartment owners and building superintendents. Detailed data is provided on rental and vacancy rates for apartments, row and public units.

Canada

Source: *Home Builder*, Vol 2, #4, July/Aug 1989, p. 29.

Figure 6.3 National Association of Home Builders

The Registered Apartment Managers of The National Association of Home Builders Present:

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- Tracking Key Financial Operations
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- Working with HUD Programs
- Critical Legal and Regulatory Issues
- Resources, Contacts, Tours
- RAM Recertification Points and Senior RAM Credits

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_____ Los Angeles, Wednesday, November 2–Friday, November 4, 1988

My fee is enclosed (please indicate category). Checks or purchase orders should be made payable to **NAHB.**

Early Registration

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Membership number _____

$ _____ $385.00 non-member

Regular Registration

$ _____ $395.00 NAHB/RAM member

$ _____ $435.00 non-member

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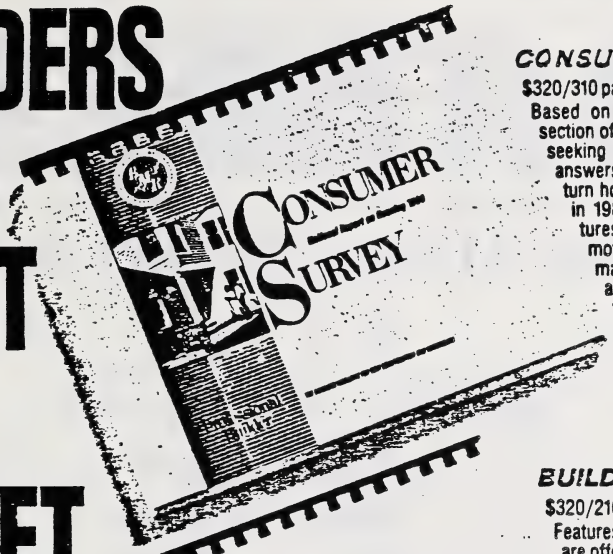
National Association of Home Builders
15th and M Streets, NW
Washington, DC 20005

For a complete brochure with detailed seminar and hotel information, or to register by phone, call the NAHB/RAM Administrator at (800) 368-5242, ext. 214.

Source: *Builder*, Oct 1988, p. 281.

Figure 6.4 Professional Builder

BUILDERS WHO WANT TO TARGET MORE HOME SALES...



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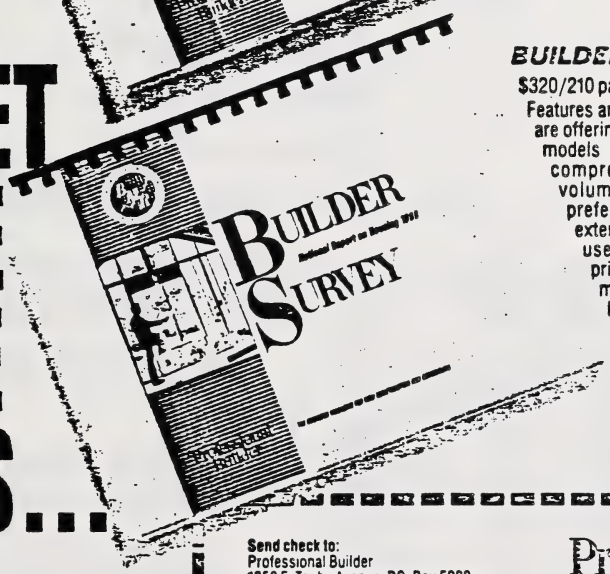

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Source: *Professional Builder*, Feb 1989, p.249.

Figure 6.5 Alfred Gobar Associates, Inc.

A market-research product of
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in cooperation with
HOME MARKETING REPORT
and
BUILDER

Macro/Micro Market Reports

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They are available for the country's 135 major housing markets; the list is on page 6.

A Macro Report is a profile of your housing market

Its purpose is to help you determine **where to build and when to build there.**

It shows you the demand for and the supply of homes and/or apartments, so you know whether your market is being overbuilt or underbuilt. It compares the prices of new homes with consumer income levels so you know whether your market wants higher or lower priced homes. And it tracks its data quarterly so you can spot trends and react to them.

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Source: *Builder*, Jan 1989, p. 446.

Figure 6.6 Hanley Wood, Inc.

RESEARCH

From Hanley-Wood, Inc. ▪ Publishers of BUILDER and REMODELING Magazines

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1) Profile of Builders, their Firms and the Houses they Build
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2) Complete Compensation Survey (salary and bonus levels of larger building firms)
   $1,090.00
3) Abridged Pay Scale Profiles
   $110.00
4) Compensation in Small Firms
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Home Buyer Survey (1988)

Separate Shoppers Profile:

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3) Income ranges
4) Luxury prospects
5) First, second, and third move-up prospects
6) Regional reports
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Surveys Purchasing Power and Brand Preference of the 100 Largest U.S. Home Builders,
115pp.
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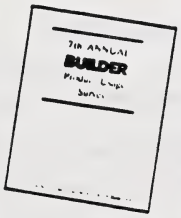

7th Annual BUILDER Product Usage Survey

Includes trend information, 1982–1986, 73 pp.
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BUILDER's Choice: Brand Usage Study

An analysis of products used in 1987 BUILDER's Choice Design and Planning Awards Program, 59pp.
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BUILDER's 1988 Housing Industry — Fact Book

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1987 complete booklet of remodeling industry facts,
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REMODELING: Flooring Brand Usage Study

Analyzes remodeler's buying habits and source of supply and pinpoints incidence of wood, vinyl, carpet and ceramic tile floor usage.
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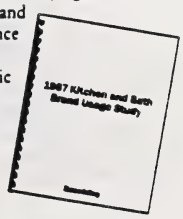

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Source: *Builder*, Oct 1988, p. 284.

Figure 6.7 Maclean Hunter Research Bureau

Specific Research Information on Your Target Market Can Work Wonders for You

Research is your window on your customers:

- Who they are
- What they buy
- When they buy, and how often
- From what sources they buy, and why
- How much they pay
- Who makes the crucial purchasing decisions?

That is . . .

- Who recognizes the need?
- Who selects potential suppliers?
- Who makes the final choice of supplier?
- What criteria are used for selecting suppliers?

THE MACLEAN HUNTER RESEARCH BUREAU CAN HELP YOU SPOT MARKET OPPORTUNITIES WITH:

- Background Reports on Market Consumption and Characteristics
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Source: *Canadian Building*, Apr 1987, p. 43.

Various government departments such as Alberta Municipal Affairs, Alberta Treasury Bureau of Statistics, Alberta Economic Development and Trade, Alberta Family and Social Services (provincial and municipal), and municipal planning and development departments also provide housing information. Most municipalities have planning departments responsible for housing and are willing to provide local data. Both Edmonton and Calgary have detailed social and economic data available at a neighborhood scale.

Additional information sources include educational institutions, libraries, the local board of realtors, the local chamber of commerce, and specialized agencies such as the Senior Citizens' Secretariat.

Primary information on the other hand must be obtained directly from consumers, housing experts, or the competition and is used to supplement or refine secondary data. The more specific the information requirement, the more likely the builder will need to resort to primary data. In addition to consumers, simple and inexpensive surveys of real estate agents, apartment owners, community service agencies, local public housing authorities, and other key people involved in the market can also provide valuable information.[13]

Figure 6.8 on the following page summarizes sources of housing information available free or at nominal cost.

Step 4: Gather the Information.

Several methods can be used to find answers to research questions. The specific method will depend on research objectives, and available resources including personnel, time, and budget. Each method has advantages and disadvantages. Further, using more than one method will provide you with a more complete picture.

---

[13] See footnote 11.

Figure 6.8 Market Research Information Sources

	INFORMATION		SOURCE
Socio-Economic	Regional and National Trends	Population (Census)	CMHC, Statistics Canada, Bureau of Statistics, Alberta Municipal Affairs, Municipal Building/Planning Departments, Public Library.
	Local Characteristics	Population (Census)	
Market	Local Consumer Characteristics	Demographics	Local branch of Social Services, Municipal Planning/Building Departments, Public Library.
	Local Housing Characteristics		
Product	New Home Trends	Surveys	Trade Associations, CMHC, Real Estate Boards, Land Titles, Municipal Planning/ Development Department.
	Regional Housing Trends	New Home Building Permits	
	Local Residential Development	New Home Sales Bldg. & Dev. Permits	Field inspection, Trade Associations, Real Estate Boards.
Competition	New Home Product Profile	Product Characteristics, Amenities, & Options	
	Sales Information	Price, # of sales, sq. ft.	

Adapted from: Clark, Charles R. and David F. Parker (1989). *Marketing New Homes.* National Association of Home Builders of the United States.

Surveys, for example, can help find answers to specific questions that cannot be addressed through secondary information. However, surveys must be directed to the people you wish to find out about -- your ***target market.*** Unfortunately, if you have thousands of potential customers, it is not realistic to survey all of them. Sampling overcomes this problem. You will have to decide:

- ***How many*** people should be included in your research.
  This is called your ***sample size***.

- ***Which*** people should be included in your sample.
  This is called the ***sample*** .

- ***How*** should they be selected.
  This is called the ***sampling method*** .

Sample size and sampling method are issues that must be considered in formal market research when you do not want to survey everyone in your target group. Sample size and sampling method are also important to the credibility of the research. An excellent resource for additional information about sample sizes or sampling method is provided in an easy to understand book entitled *Enjoying Research?* [14]

There are six types of samples described in *Enjoying Research?* :

1. **Accidental sample.**

This is the weakest type of sample, but is the easiest to obtain. "Man-in-the-street" interviews are typical accidental samples. Results from this type of sample, however, can easily lead to erroneous conclusions because it may not be representative of your target population. However, this method is convenient for informal surveys, the results of which are not required for major decisions.

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[14] Abbey-Livingstone, Diane and David S. Abbey (1982). *Enjoying Research? A 'How-To' Manual on Needs Assessment.* Ontario Ministry of Tourism and Recreation.

2. **Purposive sample.**
Purposive or reputational samples are a fairly common method of selecting people for a survey. Although it is not a true sampling method, the choice of individuals depends on someone's judgement of who is a 'typical' or an 'expert' representative of the population. Again, however, no claims should be made that their views represent the views of the population in general.

3. **Random Sampling.**
A random sample is one in which every member of the target population has an equal chance of being included in the sample. Random sampling (and methods 4 and 5) produce accurate and reliable information.

4. **Stratified samples.**
If you want to be assured your research sample represents several segments or subgroups in your target population, stratified samples are selected so that every subgroup will be represented in the same proportions as exist in the population.

5. **Cluster sampling.**
Cluster sampling is used when your target population is spread out over a large geographic area. For example, if you wanted to study a sample of seniors who live alone, you would immediately realize that such individuals are scattered all over the city. In cluster sampling you minimize the number of areas by choosing only some areas for the study. This type of sampling is complex and usually requires the help of a consultant.

6. **Quota sampling.**
Quota sampling is generally used when there are limited resources. For example, you may decide that your budget will allow you to interview 60 people. If you want your sample to reflect your target population as much as possible, you can construct a miniature of this population by specifying how many out of the 60 will be females, how many will be of certain ages etc.

Step 5: Analyze the Information.

Depending on the quantity of information, it can be analyzed by hand or by computer. For example, customer profile information may be tallied by hand providing a builder does not have hundreds of customers. A detailed consumer survey, with a hundred or more completions, is best analyzed by computer. Computer analysis allows information to be profiled by such customer characteristics as age, income, marital status, area of residence, and current tenure.

A note of caution when analyzing information:

> "although it is often based on statistics, market research is really the study of people. Statistics never have desires or needs, and they never buy anything. Statistics are used as a source of information, and as a method of measurement, for the purpose of learning more about people, their motives, and their actions. Market research is the systematic search for answers to what, why, when, and where people buy."[15]

Step 6: Draw Conclusions and Take Action.

Market research should be a balance of information, logic, and intuition. Although informal research, such as talking to customers over a cup of coffee, is valuable, formal market research can provide builders with additional information about current and potential markets, customers, and the competition. Specific methods of obtaining information are detailed in Section 7, Market Research Methods. The information may then be used to spot opportunity niches, segment the market, and better design and position a builders' products and/or services. With such information, a builder can take action through various focused marketing strategies which are detailed in Section 8. In addition, several case studies of actual market research and marketing strategies are provided in Section 9.

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[15] See footnote 7, p. 12.

7.0 MARKET RESEARCH METHODS: A 'HOW-TO' APPROACH

7.1 Market Analysis
7.2 Competitive Analysis
7.3 Consumer Research
7.4 Selecting the Best Method to Collect Consumer Information
7.5 Ways to Cut Research Costs

7.0 MARKET RESEARCH METHODS: A 'HOW-TO' APPROACH

As noted previously, informal market research should be done on a continual basis that ranges from a cup of coffee with prospects to telephone conversations with buyers. However, for builders who are thinking about changing their product or services, or are considering a new market, some formal market research should be conducted. There are three key elements in such research:

- market analysis or demand
- competitive analysis
- consumer research.

7.1 Market Analysis

Analysis of market demand involves:

- identifying a market
- identifying market factors
- estimating market potential
- estimating anticipated revenues from a given venture.[1]

Market research typically involves the first three elements of market demand; the last element is more related to economic feasibility studies.

Step 1: Identifying a Market

In identifying a market, what is sometimes referred to as a market for a product or service is actually a composite of several smaller markets with their own characteristics. This process of breaking up a market into smaller parts is known as ***market segmentation.*** Broad segments or consumer groups are provided in Figure 7.1 on the following page. These broad markets may be

---

[1] Stevens, Robert E. and Philip K. Sherwood (1987). *Market Opportunity Analysis.* Massachusetts: Lexington Books.

Figure 7.1 Consumer Markets *

While definitions for consumer groups or markets vary, the following classification has proven effective in matching consumer groups to housing types:

Singles. The size of this market is increasing as younger people postpone marriage and the rate of divorce rises. Although there are singles in all age groups, there are higher proportions of singles under age 30 and older singles (primarily females) over age 75. Although many singles can afford only one-bedroom units, some prefer two-bedroom homes with equal or approximately equal bedrooms. A second bedroom or den may be used as a guest room, craft area, or for conversion to an office or work space at home.

Tandems. As two non-conjugal persons sharing a dwelling, tandems purchase homes either under single ownership plus lease agreement or through dual ownership. They require at least two-bedrooms, each with full bathrooms and large closets. Such living arrangements are becoming more common, and often, because of dual incomes, this consumer group is targeted for higher priced, low-maintenance homes.

Single Parents. Single parents are separated, divorced, widowed, or never-married persons who tend to be under 50 with one or more children living with them. They primarily rent or purchase lower priced, two-bedroom homes.

Couples. Census data define this group as "married." Changing lifestyles lead one to redefine this group as conjugating "couples" regardless of marital status or sexual preference. These couples are further defined below.

Professional Couples. Defined as two persons both employed as income earners, professional couples can afford more expensive accommodations than single-income households. These couples can be of any age (although those over 45 tend to exhibit characteristics similar to empty nesters, and are often termed never nesters) and generally opt for two-bedroom homes, though many prefer and can afford larger homes.

Traditional Couples. Childless married couples with one spouse employed, traditional couples span all age groups but tend toward lower price ranges because of the single income. They are often couples planning to have children so their interests center on two- and three-bedroom homes.

Couples with Children. These couples include both one and two income earners who require at least two bedrooms and generally are younger than 45 years of age. They usually prefer detached homes, but many (particularly young families and reconstituted families of limited income) are expected to choose zero lot line or attached homes.

Empty Nesters. Defined as older, traditional married couples with only one spouse employed and grown children who no longer live with them, these consumers require larger than average two-bedroom (or more) homes to accommodate their furnishings and family visitors. Empty nesters also require substantial storage space.

Seniors. These are generally retired or semi-retired couples and singles who prefer smaller and lower maintenance residences than younger persons. Although seniors need only one or two bedrooms, many are accustomed to more space and require adequately sized floorplans for their lifelong possessions.

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* Adapted from Clark, Charles R. and David F. Parker (1989). *Marketing New Homes.* Washington D.C.: National Association of Home Builders of the United States.

further segmented. For example, the seniors' housing market may be segmented into groups such as the 'young-old' (65-74 years of age), the 'mid-old' (75-84), and the 'old-old' (85 and older) according to their need for special housing design features and support services. Markets are too complex and diverse for all consumers within the market to be considered homogeneous. Markets may also be segmented according to geographical areas, other demographics, product use, and product benefits.

Step 2: Identifying Market Factors

Market factors are those realities in the market that cause the demand for the product. Since a market is essentially people with money and a motivation to buy, population figures and income figures are commonly used as market factors. Both population and income statistics are available through many sources including Statistics Canada. Population projections are also available. Population and income factors are further discussed in the following section.

Other factors which may affect your product or consumer buying decisions include the economic situation, environmental issues, people's changing attitudes or preferences, government regulations, the number of choices, new products, and the competition. In essence, factors which can influence your product and your market include environmental, social, economic, and political factors.

Step 3: Estimating Market Potential

Estimating market potential is best illustrated through an example. According to Frank Clayton, President of Clayton Research Associates Ltd., a real estate market research company,

> "builders and developers are becoming aware that the move-up buyer market has peaked and, as the 1990s progress, this demand will diminish. Growth sectors in the 1990s will include a variety of housing forms directed at empty nesters (couples headed by someone aged 55-64 without children living at home) and seniors (households with a head aged 65 or over).

Builders/developers contemplating a move into the empty nest/retirement market have first to select a market niche. Then, given the profile of expected buyers, a builder/developer should ascertain:

(a) the number of housholds with these characteristics in his/her market area;

(b) the proportion of these target households likely to buy in a typical year; and

(c) the extent and nature of current and potential competition in this market niche.

Armed with this information, a builder can then make a more informed decision about the likely market for his/her proposed project."

Clayton illustrates how to quantify demand using the City of North York as an example. Canada Census data is used to help pinpoint the numbers of potential and actual buyers for a fictitious builder who is considering a low-density retirement village which is typically 30 to 80 one-story units in semi-detached and townhouse form. The majority of retirement village buyers are aged 55 to 74 years and have no children living at home. Some buyers will buy a unit eqivalent to their home but most will trade down.

In Clayton's example, the builder was considering retirement village homes priced at an average of $350,000 (remember the market is in Toronto). The 1986 Canada Census indicates that there are 13,940 households in North York with characteristics of this target market. However, only 30 percent of these households fall into the $350,000 or over home values. Therefore a pool of 4,235 potential buyers for this hypothetical example appears quite large.

Historically however, there has only been (in the first half of the 1980's) a mobility rate of 2.4 percent among this age group. Using this mobility rate, there would be a potential market demand of 102 units for the proposed retirement village. In addition, when they did move into another ownership unit, only 23 percent bought new homes. This brings the potential demand down to 23 buyers per year -- not enough for the proposed village. However, the mobility rate has been increasing in recent years because of improved economic conditions and the fact that more housing options are now available

to this market. Therefore, it would not be unreasonable to triple the estimated mobility rate to 7.2 percent and assume that three-quarters of these additional buyers are enticed into the new home market. These assumptions increase the potential demand up to 175 homes per year. If the low-density retirement village could capture one-third of this demand, the potential demand would be 58 units per year.[2]

7.2 Competitive Analysis

The final step in estimating the demand for a project is to consider the competition -- both known and potential competitors. The fundamental question to ask is *Which competitors are going after this segment and with what strategies?* You are trying to uncover a segment that is either not currently being served or not being served well. Usually, no central information source exists where new residential information is kept current. However, valuable sources include local government building permit departments, boards of realtors, and specialized publications such as *New Home Buyers* (a guide for new home buyers available free of charge in Edmonton).

Continuing with the above example of North York, both proposed and existing units of a similar nature need to be subtracted from Clayton's above demand calculation to find the final estimated demand. For example, if there was no existing competition, but a 10 unit project was being planned by another builder, there would be a more realistic demand for 48 units that year.

Once your direct competition is determined, personal visits to each one can be made to evaluate their characteristics and marketing strategies. For example, projects may be compared in terms of their location, site, number of units, occupancy, design features, amenities, services, staffing, quality of materials, and landscaping. Figure 7.2 on the following pages illustrates an example of a retirement housing survey used by the Cascade Real Estate Group to compare existing retirement projects in North America. Less detailed forms could easily be devised for single family dwellings.

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[2] Clayton, Frank. "Using Census to Quantify Demand for Low-Density Retirement Villages." *Home BUILDER*, Mar/Apr 1989, p.14.

Date: _____

Project name : _____

Address:: _____

Contact : _____

Title _____

Telephone _____

Ownership : _____

Affiliations _____

Similar projects _____

General Assessment

	Number of units	Average rate	Total revenue
Estimated monthly revenue			

Rating of facilities _____

Rating of overall image _____

Rating of promotional activities _____

Occupancy

Total capacity		Total number of residents	
Current vacancies		Male / Female ratio	/
Average vacancy rate		Single / Married ratio	/
Absorption rate		Average age	
Waiting list			
Average yearly turnover			

Location / Site

Relationship and proximity to city center _____

Neighbourhood characteristics _____

Noise Level _____

Features

- ☐ Access to public transit
- ☐ Shopping
- ☐ Churches
- ☐ Library
- ☐ Recreational facilities
- ☐ Parks
- ☐ Medical facilities
- ☐ Post Office
- ☐ Gas station
- ☐ School(s)
- ☐ Bank(s)
- ☐ Similar facilities

Comments _____

Figure 7.2 Retirement Housing Survey of the Competition

Source: Cascade Group (used with permission)

... continued

Description of Premises - Grounds

Percentage of total site

Landscaping

Decorative plantings

Fencing and privacy screening

Outdoor seating

Lighting

Maintenance standards

Comments

Description of Premises - Structures

Age of structures

Type of construction

Architectural style

Number of floors

Total size

Residential / Common area ratio

Comments

... continued

Description of Premises - Residential Accommodation

Total number of Units ☐

Configuration

	Number	Sq. ft.	Kitchenette	Balconies	Vacancies
Bachelor/ 1Bedroom Units					
2 Bedroom Units					
Bed-sitting Rooms / Suites					
Deluxe Suites					

Comments _____

Features

- ☐ Air conditioning
- ☐ Central humidification
- ☐ Individual control of air / heat
- ☐ Monitored smoke detectors
- ☐ Soft water
- ☐ Sound-proofing
- ☐ Wall-to-wall carpet
- ☐ Window coverings
- ☐ 2-way intercom by the bed
- ☐ Telephone hook-ups
- ☐ Private baths with safety features
- ☐ Bathroom emergency call buzzers
- ☐ Towels supplied
- ☐ Linen supplied for standard beds
- ☐ Furnished
- ☐ Personal furnishings
- ☐ Cable T.V. hook-up
- ☐ Wallpaper / paint selection
- ☐ Utilities in fees (except phone)
- ☐ Other _____

Comments _____

Description of Premises - Common Areas

Features

- ☐ On-premises health centre
- ☐ Physiotherapy
- ☐ Masseuse
- ☐ 24-hour security survellance
- ☐ Monitored fire alarm system
- ☐ Automatic emergency power
- ☐ Dining room
- ☐ Room service
- ☐ Staff social / recreation Director
- ☐ Social programs
- ☐ Private coach transportation
- ☐ Commercial kitchen
- ☐ Licensed nursing staff
- ☐ 24-hour nursing care
- ☐ Direct call to nursing station
- ☐ Valet service
- ☐ Monitored access alarm system
- ☐ Maid service
- ☐ Staff dietician
- ☐ Diet menus
- ☐ Exercise programs
- ☐ Craft / hobby programs
- ☐ Commercial laundry
- ☐ Other _____

Comments _____

Facilities

- ☐ Suana
- ☐ Steam room
- ☐ Gym
- ☐ Chapel
- ☐ Library
- ☐ Mail room
- ☐ Games room
- ☐ Shuffleboard
- ☐ Billiards
- ☐ Lounge _____
- ☐ Parking _____
- ☐ Swimming pool
- ☐ Whirlpool bath
- ☐ Arts and crafts room
- ☐ Workshop
- ☐ Sun room / Atrium
- ☐ Movie facilities
- ☐ Patio / Deck
- ☐ Laundry room
- ☐ Storage room

Comments _____

... continued

Description of Premises - Common Areas (cont'd)

Services

	Third-party vendor	Comments
Hair salon		
Convenience store		
Laundry		
Dry ceaners		
Bank		
Video rentals		
Other		

Staffiing

		Comments
Total complement		
Management		
Administration		
Health services		
Recreation		
Food services		
Housekeeping		
Maintenance		

Eligibility for Residence

Application Procedure _____

Conditions of Residency _____

Termination of residency _____

Residence fees _____

Monthly fees _____

Extra service fees _____

Nursing and personal care charges _____

Comments _____

7.3 Consumer Research

Consumer research should be a key element of every housing market feasibility study. It is not sufficient that demographics look good or that the real estate environment is favorable. Consumer research helps builders determine exactly what product to offer and where, how it should be priced, and what strategies are necessary to market it effectively.[3] If the market and competitive analyses prove feasible to this stage, consumer research with potential buyers will determine their response to your information needs or ideas. The product concept stage is the ideal time to gather consumer response. It is easier to change plans still on paper than those in actual construction. Information themes may include such topics as consumers needs and preferences, the project location or site, project design and size, floor plans, amenities, architectural details, and pricing.

There are four major survey methods of asking people for information:

- telephone interviews
- mail questionnaires
- personal interviews
- focus groups.

Each method has advantages and disadvantages. In selecting a method, the builder or researcher must also consider the kind of information each method can collect and the time and costs associated with each. The four major methods as well as ***test marketing*** are discussed below. The information on telephone interviews, mail questionnaires, and personal interviews draws heavily on a booklet *Doing It Right!* -- an excellent research workbook.[4]

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[3] Kichen, Jeffrey W. and Steven W. Meister. "Personal Interview: Consumer Research as Consumer Education." *Retirement Housing Report*, Vol 2, No 8, April 1988, p.10.
[4] Edmonton Social Planning Council. *Doing It Right! A Need Assessment Workbook.*

7.3.1 Telephone Interviews

As with mail questionnaires, most people are familiar with telephone interviews. They are relatively easy to administer and conduct. Telephone interviews are a compromise between personal or face-to-face interviews and mail questionnaires. This method has some of the advantages of each.

Strengths

- less expensive than personal interviews
- call-backs to make contact or obtain additional information are simple and inexpensive
- allows for clarification of questions and responses
- can be done faster than other survey methods.

Weaknesses

- must be kept relatively short
- interviewer may be viewed with suspicion because of connection with telephone soliciting
- may not be representative as it precludes people who have an unlisted number or who have no telephone
- several call-backs may be necessary to contact the respondent.

7.3.2 Mail Questionnaires

The appeal of mail questionnaires is that most people are familiar with them. Mail questionnaires are also a relatively easy method for contacting specific groups of people. Questionnaires can provide answers to specific questions and can be particularly effective where there are many alternatives to be considered or rated. They are the cheapest method where a large number of people are sampled or if the geographic area to be sampled is large. However, 10 to 15 percent is considered a good response rate.

Strengths

- larger sample size more readily obtained
- cheapest of survey methods for large samples or extensive geographic area
- simplicity of coding and analysis
- less time required in actual data collection
- increased sense of privacy and anonymity among participants may encourage more frank responses
- can be done with a minimum of skilled people.

Weaknesses

- lower response rate
- no assistance provided to respondents in understanding questions; therefore higher possibility of incomplete or invalid answers
- lack of personal approach may lead to indifference about completing it
- because more highly educated people are more likely to respond, results may be biased
- no guarantee that the respondent you sent it to will fill it out.

Mail Questionnaire Example

Post-sale surveys are an excellent means of reinforcing the image of a builder who cares, increasing buyer satisfaction with your home, increasing sales through positive buyer comments to friends and relatives, and dealing with complaints or concerns before they become major problems. The buyer tells the builder what he did right, and what he did not. Figure 7.3 on the following pages provides an example of a simple mail questionnaire that builders may send to buyers (usually within six months of moving in). Telephone surveys or personal interviews of buyers could also be used for post-sale surveys.

Figure 7.3 Because We Care

BECAUSE WE CARE...

A survey from your homebuilder, to help us serve you better.

Please return to:

_____

_____

_____

Source: The Greenman Group, Inc., Florida (used with permission)

... continued

HOMEBUYER SURVEY

NAME: _____

ADDRESS: _____

PHONE: _____

THANK YOU in advance for answering these questions and thereby helping us to serve you and your neighbors better!

PART 1.

1. How do you rate your overall experience with our company?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

2. Did our salesperson fully brief you on the benefits of the homes we build and about the special advantages of living in our community?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

3. Did our salesperson answer all your questions about the purchase agreement before asking you to sign?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

4. Did our salesperson keep you informed about the progress of your home during construction?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

5. Were you satisfied with the condition of your home at closing?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

... continued

6. Has our staff been responsive to your after-closing needs?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

7. Are you satisfied with the quality of construction of your home?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

8. Were you given all the information you needed about your home, the purchase agreement and other documents before closing?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

9. Have our customer service representatives responded promptly to your complaints.?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

10. Have our customer service representatives fully corrected any defects?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

11. Have our customer service representatives been courteous?

_____	_____	_____	_____	_____
excellent	good	adequate	poor	unsatisfactory

12. Do you feel our attitude toward you changed in any way *after* you bought your home?
_____ _____. If no, please explain.
yes no

_____

_____

_____

_____

_____

... continued

PART 2.

1. If you could redesign your home, what would you change: _____

_____

_____

_____

_____

2. What do you like best about your new home: _____

_____

_____

_____

_____

3. What do you like least about your new home: _____

_____

_____

_____

_____

4. What has been the most negative aspect of your dealings with our company? _____

_____

_____

_____

_____

5. What has been the most postive aspect about dealing with our company? _____

_____

_____

_____

_____

7.3.3 Personal Interviews

Personal interviews are probably the least used method of asking people for information. It is the most costly in terms of time required to set up and the skilled personnel needed. This method is practical only where a small number of people are to be interviewed. Its strongest advantage is the richness and detail of information that it can provide, especially when you want to find out and differentiate between needs, wants, and preferences. Personal interviews allow the interviewer to ask further questions to clarify or probe responses and watch facial expressions as a cue to probe further or back-off.

An easy way for builders to interview potential buyers is through an ***exit poll*** or ***exit survey*** which is conducted as a prospect is leaving a show home. Exit survey questions may include consumer reaction to such issues as pricing, location, lot size, home features they liked and disliked, how they compare to the competition, and reasons for considering a move. Strengths and weaknesses of personal interviews follow.

Strengths

- more detail and richer information
- an opportunity to clarify responses and probe for further information
- more questions may be asked
- higher response rate than other techniques
- avoids problems of illiteracy among respondents
- new issues can be uncovered.

Weaknesses

- most expensive survey method
- interviewers may bias the data
- data may be more difficult to code
- more managment tasks; must hire, train and supervise interviewers
- may be hard to contact some people
- takes longer to administer and conduct
- the number of people you can sample is usually small.

Guidelines on writing survey questions include the following:

- Because one question may influence another, always proceed from the general to specific.
- Arrange questions in a logical order so that the flow is similar to the way the respondent would think about the subject.
- Be sure the respondent will not have to work too hard to get the information you are asking for.
- Do not assume respondents know as much as you do about the subject.
- If a question can be broken down into two or more specific questions, do so.
- Be careful that respondents do not neglect to state their most important reasons simply because they seem so obvious.
- Respect the respondent's privacy.
- Handle sensitive issues by locating the sensitive question within a group of less difficult ones.
- After you finish writing the question, read it out loud so you can be sure it sounds all right and the meaning is clear.
- Pretest your questions on several people in your sample.[5]

7.3.4 Focus Groups

A focus group is a special group interview typically composed of eight to twelve consumers with similar demographic backgrounds. The focus group is brought together to discuss a concept, product or service under the direction of a trained moderator. Focus groups may provide information both on what people think and the reasons behind their conclusions.

Because of the small sample involved, focus groups often precede larger surveys which ensure that the findings are generalizable to the target market as a whole. On the other hand, they may also be used to evaluate market receptivity to a new product or service (e.g., is the product correctly positioned and is it priced right?).

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[5] Pope, Jeffrey L. (1981). *Practical Marketing Research.* New York: AMACOM, A division of American Management Association.

Focus groups may be used to:

- generate information helpful in designing consumer questionnaires
- provide background information on a product
- secure reactions to new product concepts
- secure reactions to proposed product positioning
- secure reactions to advertising and promotion
- stimulate new ideas
- interpret previously obtained quantitative survey results.

Strengths

- because of the opportunity for participants to react to each other's responses, an increased volume of information is often generated
- there is minimal interviewer effects or influences
- lack of pressure tends to make respondents more enthusiastic and spontaneous
- because there are 8 to 12 interviewees, more questions, perspectives and comments may be introduced than with personal interviews
- higher quality interviewing because of a trained moderator
- a more natural setting of "a bunch of people sitting around chatting".

Weaknesses

- participants must be selected with care to ensure a representative group of demographically similar consumers
- conflict among participants may arise
- requires a trained moderator
- relatively expensive
- results are not generalizable to the population or entire target market.

Le Groupe Immobilier Prevel Inc. in Quebec used a type of exit survey to question prospective buyers about their housing priorities while promoting their new condominium project , Anjou-Sur-Le-Lac. Project publicity centered on the uniqueness of the lake. "We simply invited Montrealers to come and see

the lake, without offering much in the way of an explanation." The marketing promotion yielded 1,600 names. After interviewing 400 registrants, the company was clear about buyer priorities.[6]

Guidelines for focus groups include the following:

- Keep the group from 8 to 12 in size.
- Select participants carefully so they are relatively homogeneous according to preselected criteria such as demographics.
- Make the atmosphere as natural and nonthreatening as possible.
- Keep the session to two hours or less.
- Hire the best moderator the budget can afford.
- If possible, tape record and/or videotape each session.
- Have clear objectives and an agenda of topic sequences.
- If the budget permits, have several focus group sessions.[7]

Focus Group Example

Sacramento, California market research consultant John Schleimer considers focus groups an invaluable method of analyzing consumer attitudes and housing/design preferences. Eight couples participated in one of Schleimer's focus groups. Each couple "had been carefully income qualified, each matched the demographic parameters for the $120,000 to $150,000 homes in the proposed project, and each had shown earlier interest in buying a home within a two-year period."

Over the two-hour session, participants "were asked about product preferences, about their reaction to 10 floor plans and 100 standard and optional features." Schleimer noted that

> "If a builder is building 20 homes a year at an average price of $100,000 and his gross profit line is approximately 15 percent or $300,000, if he doesn't spend $2,500 to $4,000 to do (several) focus groups to test the

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[6] Handspiker, Holly, "Different Strokes," *Canadian Building*, November/December 1989, p.27.
[7] See footnote 2.

market, to test his buyers, it could come back and haunt him if he doesn't have the right product coming out of the chute."[8]

7.3.5 Test Marketing

Frequently, a builder or developer will spend thousands of dollars for engineering studies, architectural drawings, and legal fees before the market has been adequately tested. The end result will be a builder or developer who is trying to convince the consumer to purchase "what is on the shelf, rather than having figured out what to put on the shelf in the first place." By using this approach, he "will have to rely heavily on 'selling' rather than 'marketing' his project."

Steven Meister and Joseph Roche, principals of The Roche Associates, Inc. in Massachusetts, specialize in strategic planning and marketing of long-term health care and retirement housing. They believe that many developers commit relatively little money to consumer response research. The money that is spent goes toward focus groups. "Such research is certainly valuable, but too many developers apply its results far beyond their intended results." Full-scale survey research in addition, should give a developer a high level of confidence in the proposed project. Meister and Roche believe that "intelligence gathered through survey research will be superior to that gained solely from focus groups, but the ultimate question will remain: will people buy or rent the units in my proposed retirement project?"

Their solution is a test marketing program that combines focus group and survey research with a marketing perspective to define the potential market response more precisely. The test marketing approach is "an action-oriented market research program that places hundreds of prospective residents directly in front of the developer." The research firm and developer offer a seminar on "Retirement Housing Options" to targeted prospective residents. Age- and income-qualified prospects who live within the target market area are mailed an invitation to attend the seminar. A concise, appealing seminar presentation includes a discussion of issues involved in making a retirement housing decision and a discussion of the proposed housing project.

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8 Zabas, Al. "The Success of Homework." *Canadian Building*, April 1988, pp. 28-31.

A test marketing program offers a number of advantages not normally associated with "pure" market research. First, it enables the developer to start a prospect list for use in future marketing efforts. Second, it is a way of generating publicity for the project. Finally, it provides the developer with direct exposure to prospective residents.[9]

7.4 Selecting the Best Method to Collect Consumer Information

The following worksheet (Figure 7.4 on the next page) summarizes common methods of collecting information and will help you decide which method is best suited to your research objectives.

7.5 Ways to Cut Research Costs

Builders who have a limited research budget, yet want to contract research out, should feel free to ask consultants or researchers how they can cut research costs. Several ways of cutting such costs include:

- using more telephone interviewing
- avoiding door-to-door interviewing
- eliminating open-ended questions as much as possible (they cost 3 to 5 times as much to ask, code, and tabulate as structured questions)
- cut questionnaires to the bare essentials (don't fall into the trap of "as long as we're there let's ask them....")
- be careful about sample sizes (there is no "right" sample size; it is largely a matter of how accurate you want the results)
- do sequential research (consider a small-scale study first to see if it produces any surprises and go ahead with a larger study only if it does)
- tabulate only the information you really need
- only use expensive market research techniques if you have good reason to think they will really help you
- leave your researcher alone (a certain amount of coordination and planning

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[9] Meister, Steven W. and Joseph L. Roche. "Thin Ice: A Solution to Inadequate Consumer Response Research." *Retirement Housing Report*, Vol 2 No 1, September 1987, p.11.

Figure 7.4 Selecting the Best Way to Collect Information

Is This An Important Consideration?	Yes/No	Mail Ques.	Personal Interviews	Telephone Surveys	Focus Group	Best Method?
You want to probe or clarify answers		No	Yes	P.N.*	Yes	
You have a complicated series of questions to ask		P.N.	Yes	No	Yes	
You have a lot of open-ended questions to ask		P.N.	Yes	Perhaps	Yes	
You want people to rank or rate alternatives		Yes	Perhaps	P.N.	Yes	
You want to survey a large sample		Yes	No	Perhaps	No	
You want a high response rate		No	Yes	Perhaps	Yes	
You need the results soon		No	Perhaps	Yes	Perhaps	
You want specific people to respond		No	Yes	Yes	Yes	
You have trained interviewers		No	Yes	Yes	Yes	
(Other considerations)						

* Probably not

Adapted from: Edmonton Social Planning Council, *Doing It Right!*

with the client are necessary but keep meetings, reviews, and revisions to a minimum or they will cost you)

- challenge your researcher or consultant to save you money.[10]

In conclusion, according to marketing expert John Schleimer in California, one of the most fatal marketing mistakes a builder can make is to do no market research. Many builders blame their location, product, staff, or advertising for a project's failure when the real problem is being out of sync with the market. And, because markets are constantly changing, market research is essential for each new project.[11] The next section provides an overview of marketing strategies suited to builders, including smaller builders.

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10 See footnote 4.

11 Fletcher, June. "10 Fatal Marketing Mistakes." *Builder,* October 1989, p. 86.

8.0 MARKETING STRATEGIES: A 'HOW-TO' APPROACH

8.1 A Marketing Plan
8.2 The Marketing Budget
8.3 Targeting Your Market
8.4 Market Segmentation and Niches
8.5 Positioning
8.6 Image Creation
8.7 Advertising
8.8 Promotions and Public Relations
8.9 Merchandizing and Selling New Homes

8.0 MARKETING STRATEGIES: A 'HOW-TO' APPROACH

> "There's an adage in home building, albeit a perverse one, that a well-marketed but poorly designed project will usually outsell a poorly-marketed, well-designed one. True or not, the theory explains why so much of the most creative work in this industry is sketched out not by architects, but by a host of other consultants more directly focused on the point of sale."[1]

Of course it would be ideal to have a well-designed and well-marketed product. This section provides an overview of marketing strategies that have been successful for builders in North America. The strategies range from targeting your market to merchandizing and sales. A summary marketing plan and a marketing budget outline are provided at the end of this section. Builders who want more detailed marketing information should consult references provided in the footnotes and in Appendix B.

8.1 A Marketing Plan

By planning the marketing of new homes, a builder can solve problems and maximize opportunities. In developing a marketing plan, goals, objectives, and activities must be reviewed, committed to paper, and evaluated periodically. However, marketing strategies cannot be defined without an assessment of consumer demand, a competitive analysis, and an evaluation of development constraints. This information provides the foundation for a good marketing plan and appropriate marketing strategies.[2]

8.2 The Marketing Budget

The marketing budget is a statement of the estimated expenditures required to implement the marketing plan." The marketing budget typically covers research, administration costs, advertising, promotions, and product merchandizing. Many marketing expenditures are time-related and therefore sales absorption is critical to accurate budgeting. In addition, marketing expenditures are not directly proportional to revenues. For example, a

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1 "1989 MIRM Awards," *Builder*, February 1989, p. 99.
2 Clark, Charles R. and David F. Parker (1989). *Marketing New Homes*. Washington D.C.: National Association of Home Builders of the United States.

well-positioned, high-end development may sell rapidly with relatively low marketing costs. As a percentage of revenues however, marketing costs generally range from three to seven percent of the overall project cost.[3]

8.3 Targeting Your Market

Builders need a clear idea of who they are targeting their product to. Once you have classified what you are selling, you can begin targeting the market you are selling to -- that is, who potentially wants or needs your product -- and begin marketing to them. "By defining the market you want to sell to or the people who need or want your product or service, you'll find it easier to market it. And, in the long run, you'll be more successful. ... Each (consumer) requires different marketing efforts to be reached. Further, each is motivated to buy for a different reason."[4]

For example, a builder can create three different models and target three different markets using the same-size house on the same-size lot by varying plans and features. To appeal to the empty nester, a builder should offer plenty of storage and living space on one floor. Young professionals want an impressive-looking home with the latest gadgets. Families, on the other hand, want flexible spaces to accommodate both children and adults.[5]

8.4 Market Segmentation and Niches

Market segmentation is the process of breaking down a broad market to clearly identify your target market. Refined even further, a builder can then find a specific niche within this target market which will set his company or product apart from the competition.

> "Market segmentation means dividing the market place into several pieces by concentrating company resources on a select few instead of offering a wide line for many. ... Segmentation by consumer groups

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[3] Ibid.

[4] Ontario Ministry of Industry, Trade and Technology (1986). *How To Market*: A Practical Guide For Small Businesses in Ontario. What You Need to Know About Marketing Your Product or Service, p.7.

[5] Pearson, Clifford and William Devereaux, "Design Workshop: Market Targets," *Builder*, November 1988, p. 89.

defines the audience further and zeros in on niches, based on different levels of sophistication. ...

By concentrating on a few target market audiences, a builder can avoid competing with established competition and doesn't have to market on the basis of price-value ratios. Also, you allocate marketing dollars more effectively."[6]

"Conferees at *Builder's* Housing in the 90's Conference agreed that the race will go to niche builders. In the 1990's, there will be fewer hot markets where everything sells, ... you must target a narrow market (or niche) in order to succeed... Of course, most builders already consider themselves niche builders. But identifying your market as 'move-up' simply isn't sufficient anymore."[7]

Find a market niche based on some new or unserved market need. For example, BROM Builders, Inc. in Connecticut builds 60 units a year. The builder locates and builds for unsatisfied market segments. In the sluggish New England market, New Concord Green, a condominium project in Norwich, is selling quickly thanks in part to tightly targeted marketing. Market research showed that Norwich lies almost halfway between New York City and Boston, but missed out on rapid growth until recently. BROM located two ignored niches: the empy-nesters who were leaving Norwich for the nearby coast, and the suddenly growing ranks of young professionals.[8]

It is possible to fine-tune a market even further. Phonenix based Del Webb Corporation, for instance, always specialized in the retiree niche. Recently, the company "put the buyer under the microscope" and identified 18 psychographic categories of retiree buyers. A "Trendsetter," for example, "wants to emulate and live near Traditionalists, whom they perceive as having 'made it.' More insecure than Traditionalists, they want homes that impress. 'Follow the Leader' ads appeal to their need to live near the winners."[9]

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[6] Terry, Leigh, "Positioning: Successful Builders in the 90's Will Choose, Market and Plan to Make it Work," *Home BUILDER*, May/June 1989, p. 24.
[7] "Fine-Tuning Your Niche," *Builder*, July 1989, p.87.
[8] Donahue, Gerry, "Well-Managed and Targeted, " *Builder*, Jun 1989, p.71.
[9] See footnote 6.

8.5 Positioning

> "As builders plan ahead to the '90's, they will be looking for opportunities to gain market share, develop competitive marketing strategies, and secure a position as progressive and innovative companies. The focus then becomes positioning or locating their product in consumers' minds relative to competitive products. For example, several builders may be targeting the empty nester but one builder may have positioned himself as the only builder catering to the upscale, fee simple condominium market. The builder's positioning strategy changes due to changes in market demographics and buyer attitudes."[10]

The first step in examining a position is to determine where you place in the overall market and to calculate what it will cost to own that position. "Do research to find out what niche is open for future growth." The second step is to keep track of the competition. "Look for weak spots in the market and develop a program specifically for those windows. This can take the form of designing new housing, pricing, financing, producing better product packages, retraining sales staff or entering new market segments." The third element is to determine if you are leading or following.

> "If you are a leader, then it is necessary to defend your position by creating and producing a housing product that discourages competitors from entering your market niche. Leaders never stand still, but constantly introduce new products.
>
> If you improve perceived value by giving more housing features and amenities, or repricing a product line to enable more consumers to qualify, then you gain a competitive edge. This form of positioning and market strategy helps you protect your market share, which above all is the key to an overall strategy to maximize your profits and reputation in the market place."[11]

To put product positioning into action, the builder must communicate this position to potential buyers through media advertising, direct mail, publicity, promotional events, newsletters, signs, information center displays, and brochures.[12]

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[10] See footnote 5.
[11] Ibid.
[12] See footnote 2.

Frank Giannone of Fram Building Group in Ontario, for example, built 40 homes his first year, 1982. In 1989 sales are projected for 450 homes, 75 percent of which are R2000. Fram's R2000 -'Plus' home is

> "positioned in terms beyond simple energy efficiency and into the realm of creature comfort and quality of lifestyle. ... We don't sell payback, ... We're selling a package which includes high efficiency features, clean air, ventilated air, looks and good construction quality.' ... With this kind of market positioning, Fram's longevity should be guaranteed."[13]

Brian Fenske, president of Lifestyle Homes in Winnipeg, uses cartoons (based on keeping up with the Jones') to successfully differentiate his product's five-year warranty versus his competitiors' one-year warranty.[14]

8.6 Image Creation

A builder's overall marketing message must be based on an appealing image that is consistent throughout all his marketing communications. "Logo, name, and image support materials are the constant identification symbols by which a building business becomes known." Builders may require the help of graphic specialists, advertising agencies or public relation firms.

Logos provide "graphic identity, enhance advertising, and facilitate immediate visual recognition. ... Over time, consumers will develop a visual identity with the builder or community based upon recognition of the logo. The key to using a logo, therefore, is consistency." The same logo should be used on all stationary, signage, promotional materials and advertising. A logo should follow these guidelines:

- The logo should be a form of visual "shorthand" since consumers do not generally read them.
- A logo should be able to be reproduced on a variety of materials, forms, and sizes.
- It should be distinctive.
- The color(s) used should reflect target markets.

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[13] Zabas, Al, "Stylish Building," *Canadian Building*, March 1989, p. 19.
[14] Zabas, Al, "From Comics to Cash," *Canadian Building*, November/December 1989, p. 33.

- It should be cost effective.

Marketing and sales brochures are commonly used in the marketing process. The following guidelines help in brochure development:

- The brochure should be consistent with advertising and other marketing materials.
- It should be complete, concise, and provide all the necessary consumer information without being wordy.
- Paper stock should be selected with care so that it feels substantial yet folds cleanly.
- One or two colors are cost effective and can be attractive.
- Since the information may change over time, make sure the cover is flexible.
- Price information should never be printed but rather, quoted by the salesperson.
- A typical brochure should include elevations, floorplans, features, community facts, builder credibility message, logo, address and phone number, area map, and site plan.[15]

"Another key element in builder image creation is the selection of a model or project name. Even though a poor name may not keep a good property from selling, a good name forms a vital link in the communications and sales program." But selecting the right name is not easy. According to Equity Realty Inc. in Chicago, builders should beware of four common pitfalls:

- Choosing a name that is trite or overdone.
- Choosing a name that is difficult to pronounce or remember.
- Choosing a name that is difficult to use on signage or advertising.
- Choosing an inappropriate name.[16]

A recent feature in *Builder's Ideas* column offers builders an easy way to select names. "Dial-A-Name", an invention of a California ad man, has three movable

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[15] See footnote 2.
[16] McKenna, Barrie, "Is it the Market or the Marketing?" *Canadian Building*, January/February 1987, p.19.

cardboard wheels with words along the rims. Match them up and you have a name such as "Stone Bridge Gardens."[17]

A builder's image is also constantly tested through telephone inquiries.

> "Nothing is more irritating to prospects calling for information than to be put on hold. To make sure no one's left waiting, The Gregory Group in Redwood City, California, has installed a Future Project Hotline. Buyers get tidbits of information on upcoming communities and can leave their names and numbers for callback."[18]

Finally, a positive image is cultivated by outstanding service. Garry Storteboom, for example, is a British Columbia builder/renovator who has built four to eight custom homes annually for 16 years. Because he believes his customers are his marketing force through word-of-mouth sales, Storteboom will fix things like a leaky skylight after the one-year warranty has expired. To keep his customers happy, such repairs are covered by a contingency of 2 percent of the sale price or a minimum $2000.[19]

8.7 Advertising

> "New homes advertising must generate the steady flow of consumer inquiries critical to reaching sales objectives. For example, if a builder historically converts 5 percent of inquiries to sales (conversion ratio) and advertising generates 40 inquiries per month, the builder should budget for 24 home sales annually. If the builder wishes to double the volume at the same conversion ratio, an aggressive advertising program should be undertaken to double the number of inquiries."[20]

Advertising positions a builder or community in the following ways:

- by targeting the appropriate consumer market(s)
- by distinguishing the builder from the competition
- by establishing a distinctive image.

"Newspapers should be a builder's primary advertising medium."[21] Consumers must be made aware of the builders product. Ads should,

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17 "Ideas: Small Talk: Wheel of Fortune," *Builder*, May 1989, p.156.
18 "Selling: On-Line," *Builder*, October 1989, p.83.
19 See footnote 13.
20 See footnote 2, p. 97.
21 Ibid

however, strike a balance of information including: name of the project, type of housing, pricing, address or directions, telephone number, information center hours, and unique selling proposition (e.g., buyer benefits, features, lifestyle, special financing).[22] Typical newspaper advertising often includes floorplans that most consumers cannot read or understand. Prospective buyers usually go to the newspaper with a specific shopping list of desired features (e.g., four bedrooms, attached garage, northside location) and then visit those communities that appear to fill their needs.[23] Examples of successful newspaper ads are presented in Figure 8.1 on the following page.

Radio advertising can be used to supplement newspaper ads to create public awareness of new products and locations. For example, when the market in Florida softened recently, M/I Homes developed a radio and newspaper campaign to make prospective buyers aware of their new offerings. For a cost of $390, 15 radio spots were purchased over a week.

> "The radio spots were a good investment. Two sales were made one weekend that would not have been made without (them)... This resulted in an increase of 17 traffic units responding to the advertising the first week and an increase of 19 traffic units in the second week."[24]

Direct mail is growing in sophistication as another effective marketing tool for builders, particularly as a pre-sell tool. "Reminder letters, referral programs, newsletters, event invitations ... all are cost effective elements of the most successful marketing campaigns for residential developments in Canada."[25] Figure 8.2 on the following page shows a recent direct mail postcard style campaign in Edmonton.

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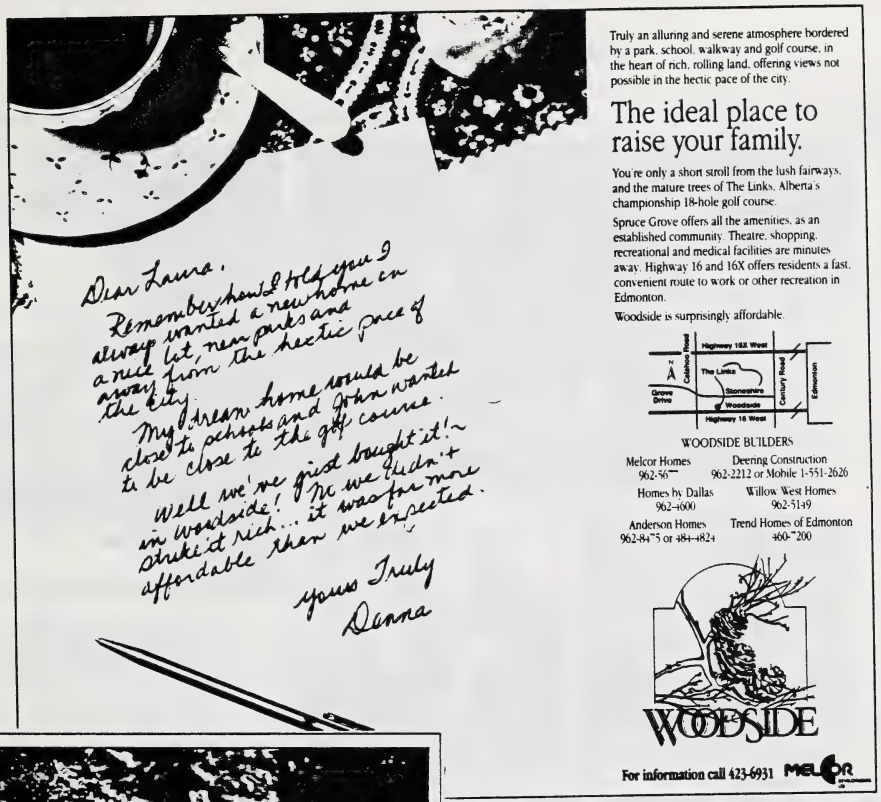
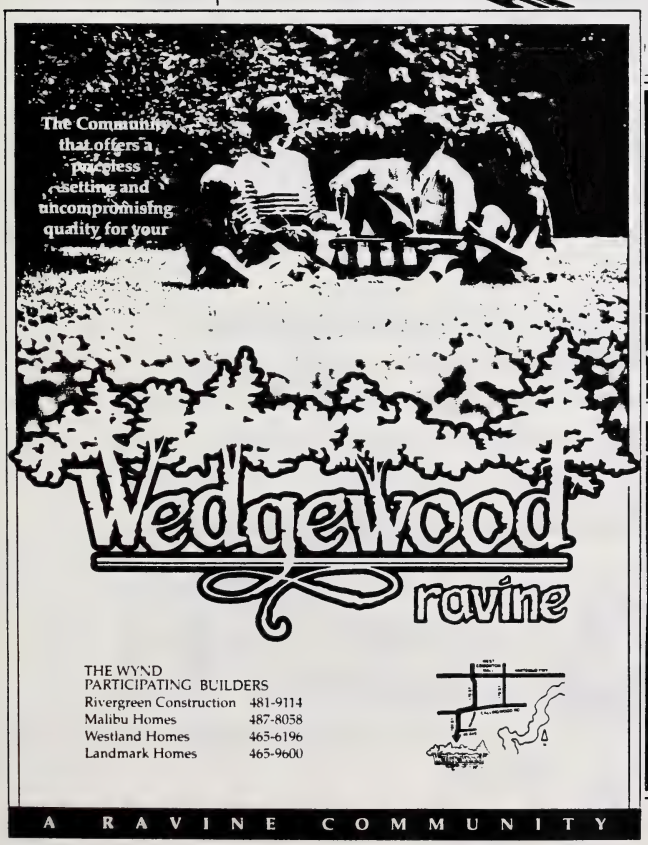
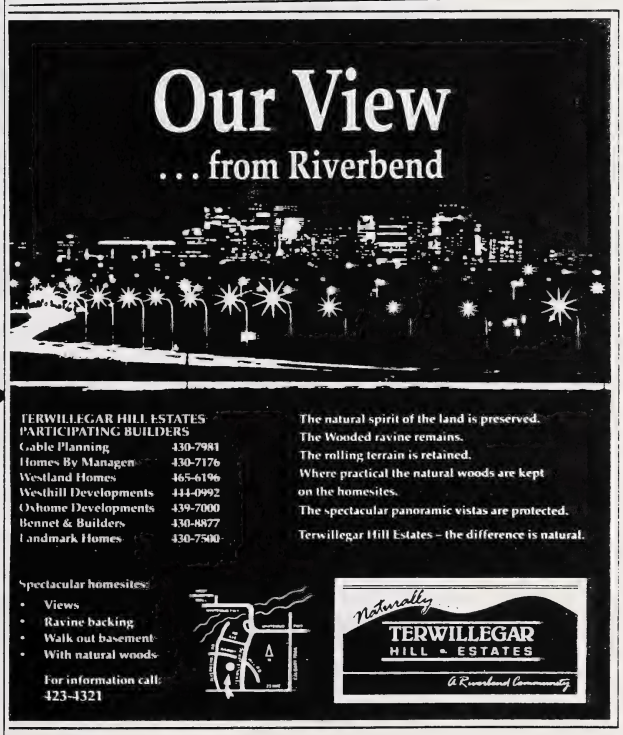
22 See footnote 2.
23 Pfeifer, Kevin, "Don't Get Your Marketing Started 'Ad-Backwards'," *Professional Builder*, December 1989, p. 48.
24 Adams, Eli, "Strategically Placed Models, Ads Paid Off For Florida Builder," *Professional Builder*, December 1989, p. 40.
25 Pilgrim, Tim, "Targeting Success," *Condominium Magazine*," July/August 1989, p.33.

Figure 8.1 Sample Newspaper Ads







Used by permission from Growth Marketing Inc., Edmonton

Figure 8.2 Direct Mail Example

We always imagined the perfect lifestyle. Maintenance free living. Elegant interiors. Independent homeownership. And a championship golf course right next door.

We've found that lifestyle! At Country Club Estates. This is our exclusive adult community. And we're enjoying the good life - and all the privileges.

Kay & Ross

THE ◆ GOOD ◆ LIFE ◆ HAS ◆ ITS ◆ PRIVILEGES!

POST CARD

Luxurious
Adult
Living

Country
Club
Estates

MELCOR

Call 487-3658 or 487-7531

Used by permission from Growth Marketing Inc., Edmonton

8.8 Promotions and Public Relations

Another way to increase sales is through promotions. The most effective sales promotions are original, novel, creative and short.[26] Successful ideas include:

- Decorating a model home for Christmas at other times of the year.[27]

- Decorating in a dramatic color scheme. A builder in San Diego decorated an entire model in dark-brown, accented in white to set a classic mood.[28]

- Offering free options. To lure prospects to its Ocean Estates project, a New Jersey builder offered $10,000 worth of free options to buyers of homes priced from $339,000.[29]

- Offering down-payment sweepstakes. A New Jersey gave "100 winners $15,000 each toward the down-payment of townhomes in any of his communities in northern New Jersey. Prices for the townhomes ranged from $114,000 to $189,000. More than 2,600 people entered the contest and that activity helped bring in a record 209 sales in a span of two weekends.[30]

- Participating in major home shows. Muskoka Homes in Ontario uses the Sportsman Show and the National Home Show in Toronto as marketing vehicles which have produced about 200 sales over 2.5 years at an average cost of $500 a sale.[31]

Public relations are activities or techniques used by organizations or companies to establish favorable public attitudes toward their product or service. Well-planned public relations can provide media coverage and improve the builder's image through newspaper features, magazine articles, or television coverage. Not only is this coverage free, it provides credibility through third-party endorsement. Positive public relations can lead to increased sales.

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26 See footnote 5.
27 Ideas: "Finding a Niche in a Market Gone Sour," *Builder*, January 1989, p.227.
28 "Selling: The Dark Side," *Builder*, August 1989, p. 41.
29 "Ideas: A Good Deal," *Builder*, December 1988, p. 50.
30 "Ideas: Sweeping Up Sales," *Builder*, January 1989, p.238.
31 See footnote 14.

Successful public relations examples which attracted public attention and created a positive image of the builder are following:

- "Lifestyle Retirement Communities celebrated the opening of its newest project June 29, in Oakville, Ontario, by releasing 1,000 blue and white balloons into the air in aid of a local charitable group."[32]

- "In Tampa, builders don't wait for buyers to come to them. They go to the buyers. In an event sponsored last month by the Tampa Board of Realtors, builders joined forces with brokers to hold a public fair complete with clowns, foods, and yes, product exhibits. About 100 builders, brokers, lenders, and architects exhibited their wares to the crowd. Admission was free: proceeds and booth sales were given to the homeless."[33]

- "When Merrick Homes opens up model homes for a new development they pull out all the stops to create a real media event. The Valentine's day opening of ... Fallingbrook Community in Whitby, Ontario came complete with Olympic athletes and the mayor....."[34]

8.9 Merchandizing and Selling New Homes

The merchandizing and selling of new homes is crucial to all home builders. However, in a recent survey by *Professional Builder*, more than half (56%) of home shoppers did not like the approach of the sales staff in the model home. More specifically, they indicated that salespeople were too pushy, not knowledgeable enough about the homes they sell, and do not make buyers feel welcome.

Merchandizing is the presentation of actual homes to prospective buyers. Although many larger builders have an off-site presentation center for their products, smaller builders generally use on-site presentations or models. Thus

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32 "Industry News: Charity Drive Launched at Opening of Seniors Development," *Home BUILDER*, July/August 1989, p.60.
33 "Ideas: Fair Play," *Builder*, December 1988, p. 50.
34 "Industry News: Merrick Opens Model with Flair," *Home BUILDER*, March/April 1989, p.47.

merchandizing begins with community entry image and continues with an information center and model home(s). The merchandizing image is a key element in the formation of a positive impression of the builder and his product in the mind of the consumer.

New home merchandizing is somewhat controversial among small- to medium-sized home builders who cater to modest income buyers. Some builders argue that because merchandizing adds to the cost of a new home, that value conscious consumers would rather have lower prices than 'fancy presentation'. Conversely, successful merchandizers argue that presentations expertly tailored to the price range of the product will provide more emotional attraction than the 'plain wrapper' approach. All merchandizing should, however, be tailored to supply and demand factors of the local market as well as to the target market.

According to Kevin Pfeifer (Builders Advertising Journal), one of the most common mistakes in advertising home builders is the lack of enough emotion in the model or show home. When prospects visit models, "the 'logical' aspects of the home fade in comparision to the emotional impacts of the model home. ... No one walks through with a checklist... They either fall in love with the home or they don't."[35]

Key elements of merchandizing, including site signs, community amenities, model styles and colors, and interior decoration, all play important roles in influencing buyers. Successful merchandizing include ideas such as:

- capturing the imagination buyer's children by decorating the secondary bath in primary colors and items such as teddy-bear sponges and dinosaur towels[36]
- the use of video presentations
- an on-site miniature golf course[37]
- flexible floor plans with a "bonus rooms"[38]

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35 See footnote 20.
36 "Selling: Selling the Small Fry," *Builder*, July 1989, p. 85.
37 "Selling: On the Ball," Builder, October 1989, p.83.
38 "Ideas: Adapting Plans to Fit Market," *Builder*, February 1989, p.76.

- using rental furniture for your model home.[39]

For builders who desire more information on merchandizing, *Marketing New Homes* [40] has a chapter devoted to merchandizing which discusses signage, community amenities, information centers, and interior decoration.

As merchandizing, selling or sales is another important part of the marketing process. There is an "art" to selling.

> "Adding up the numbers, working out percentages, and checking out the competition may help builders find the right price for their product, but if sales staff is discourteous, uninformed or disloyal, the price won't be enough to get buyers to sign on the dotted line. More and more builders have recognized that sales personnel at their site are the final link in a very long process ... . Years of planning and research can be negated by poor salespeople."[41]

For a builder to be on the leading edge in today's market, he must have a strong sales staff who are knowledgeable about the product, are aware of the competition (both new home and resale), in tune with the builder's ideas and philosophy, and who are motivated and satisfied with their job.[42]

More specifically, one job of the salesperson is to isolate the "hot buttons" (i.e., those building and design elements most important to prospects) at the point of sale, especially in a soft market. Because the sales representative can isolate buyer needs, he can focus on selling those builder and design features which will meet these needs.[43] Good salespeople learn to really listen to what prospective buyers are saying. They also provide the builder with market feedback.

Sales staff should be evaluated periodically, particularly if homes are not selling well. To get to the root of the problem, consultants pose as potential buyers

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39 "Ideas: Model Home Economics," *Builder*, January 1989, p.238.
40 See footnote 2, p.99.
41 "Improper Sales Staff Ensure the Price is Never Right," *Canadian Building*, June 1987, p.35.
42 Terry, Leigh, "Gaining the Edge in Today's New Home Markets," *Home BUILDER*, November/December 1989, p.18.
43 Terry, Leigh, "Flexibilty in Meeting Buyer Needs is the Key to Selling in Soft Markets," *Home BUILDER*, July/August 1989, p.18.

and "shop the project." They report on sales presentation, skills, and weaknesses. A Houston based sales and marketing firm noticed that salespeople do not sell the way people buy homes. According to focus group research, home buyers buy by location first, then community, then architectural style and design. Finally, they get to price and terms. "Salespeople tend to make their pitch in the exact opposite order."[44]

In summary, marketing and sales are key elements of a builder's business. By avoiding the following 10 key marketing mistakes, builders can increase their chances of success:

1. *No pricing strategy.*
   Builders should set up a process which rewards early buyers.
2. *Building a floor plan which may have drama but functions poorly.*
   For example, most people do not like having the master bedroom off the living room.
3. *Having a marketing budget, but no marketing plan.*
   Which segments are you going after and where do they live?
   What media reaches them? How can you get the most from advertising money spent?
4. *Expecting pre-sales to stick.*
   A pre-sale is not a sale, it is only a serious expression of interest which may change if 'subject-to' clauses are part of the purchase agreement.
5. *No buyer-retention program.*
   Very few builders have a buyer-retention program. It keeps you in touch with buyers and makes them feel important. It reinforces their buying decision. Builders can communicate through post cards or community newletters.
6. *Spending advertising dollars too soon.*
   Pre-sale momentum is based on getting signage up so you can register names and telling community "whisperers" (e.g., taxi drivers, hairdressers, bellmen) about your upcoming project -- plus incentives for referrals.
7. *They don't build curiosity.*
   Early promotions can arouse curiosity. For example, a billboard campaign

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44 "Ideas: Evaluate Your Sales Team," *Builder*, December 1988, p.48.

like Country Crossings in Tuscon, Arizona teased traffic and created a mystery. They used a construction fence that had cartoon humans (actual researched market segments) peeking over the fence. It built tremendous presale interest.

8. *Decoration that fights the floor plan.*
   Be sure that furniture and plants do not hide views or simply take up space.
9. *Forgetting about streetscape.*
   See if you can vary setbacks and rooflines to avoid a straight line of look-alike products.
10. *Not getting feedback from the traffic and sales office.*
    Have sales people question model home traffic on their opinions about your product.[45]

To keep up to date on successful marketing ideas, trade magazines present annual builder awards in various categories. For example, *Builder* highlights the National Association of Home Builders' annual MIRM awards for best projects of the year, best advertising, brochures, signage, landscaping, sales office, and interior merchandizing in their February Issue.[46] Not all, but certainly some of the ideas are suitable to smaller builders. In addition, the Canadian Home Builders' Association's sales and marketing committee produced a marketing manual in 1988 which is one of the few builder-specific marketing manuals available nationwide. Figure 8.3 on thhe following page provide their marketing plan and marketing budget summaries.

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[45] Goodkin, Stanford R., "10 Steps to Success," *Professional Builder*, November 1986, p.54.
[46] "MIRM Awards," *Builder*, February 1989, p.99.

MARKETING PLAN

COMPANY NAME: _____
PROJECT (IF APPLICABLE): _____
FOR PERIOD FROM: _____ TO: _____

TARGET
AGE _____ INCOME RANGE _____
LIFESTYLE WANTS AND NEEDS _____
PREFERRED LOCATIONS _____

PRODUCT
HOUSE TYPE(S) _____ NUMBER OF PLANS _____
HOUSE SIZES _____
HOUSE STYLES _____
DESIGN CHARACTERISTICS _____
FEATURES _____
LOCATION _____ LOT SIZES _____
AMENITIES (CUL-DE-SAC, PARKS, SCHOOLS, ETC.) _____
HOW MANY HOUSES WILL YOU BUILD? _____

PRICE
PRICE _____ TERMS _____
COST BREAKDOWN (PER UNIT) ►
HARD COSTS: LOT COSTS _____
HOUSE COSTS _____
SOFT COSTS: MARKETING _____
OVERHEAD _____
FINANCING _____
PRE-TAX PROFIT _____
SELLING PRICE _____

PROMOTION
BROCHURES/PAMPHLETS (PURPOSE? MESSAGE? DISTRIBUTION?) _____
NEWSPAPERS (NAME OF PAPER(S)? PURPOSE? MESSAGE? TIMING?) _____
DIRECT MAIL (PURPOSE? MESSAGE? TIMING? TARGET?) _____
SIGNAGE _____
OTHER ADVERTISING MEDIA _____
PUBLICITY (SPONSORSHIPS, EVENTS, ETC.) _____

PERSONAL SELLING
REALTOR SALES OR IN-HOUSE SALES _____
SALES AIDS (RENDERINGS, FLOOR PLANS, MAPS, ETC.) _____
MODEL HOME _____

MARKETING BUDGET

COMPANY NAME: _____ DATE: _____
FOR THE PERIOD FROM: _____ TO: _____
PROJECTED GROSS SALES REVENUE: $ _____
TOTAL ALLOCATION FOR MARKETING: $ _____ (_____%)

1. PRINTING:	BUSINESS CARDS	$ _____	
	LETTERHEAD	$ _____	
	BROCHURES/PAMPHLETS	$ _____	
	BROCHURE COVERS	$ _____	
	FLOOR PLAN INSERTS	$ _____	
	SITE PLANS	$ _____	
	FEATURES LIST	$ _____	
	BUILDER'S STORY	$ _____	
	OTHER: _____	$ _____	$ _____
2. SIGNAGE:	DIRECTIONAL	$ _____	
	SITE	$ _____	
	OFFICE	$ _____	
	HOURS	$ _____	
	PARKING	$ _____	
	OTHER: _____	$ _____	$ _____
3. ADVERTISING/ PROMOTION:	NEWSPAPER (Display)	$ _____	
	NEWSPAPER (Classified)	$ _____	
	MAGAZINE	$ _____	
	RADIO	$ _____	
	DIRECT MAIL	$ _____	
	PROMOTIONAL EVENTS	$ _____	
	OTHER: _____	$ _____	$ _____
4. MERCHANDISING:	COLLATERAL MATERIALS:		
	MAPS	$ _____	
	PHOTOGRAPHS	$ _____	
	DISPLAY PANELS	$ _____	
	OTHER: _____	$ _____	
	MODEL HOMES:		
	FURNISHINGS	$ _____	
	LANDSCAPING/FENCING	$ _____	
	FLAGS/FLAG POLES	$ _____	
	CARRYING COSTS	$ _____	
	MAINTENANCE	$ _____	
	OTHER: _____	$ _____	
	SALES OFFICE:		
	SUPPLIES	$ _____	
	OVERHEAD	$ _____	
	OTHER: _____	$ _____	$ _____
5. SALES:	COMMISSIONS	$ _____	
	SALES MANAGEMENT	$ _____	
	OTHER: _____	$ _____	
TOTAL			$ _____

Source: New Home Marketing Manual for Builders: Canadian Home Builders' Association/Mortgage Insurance Co of Canada

Figure 8.3 Marketing Plan and Budget

9.0 CASE STUDIES

9.1 Brethour Research Associates Limited
9.2 Property Group One
9.3 Taylor-Morley-Simon Inc.
9.4 Bainsbridge Inc.

9.0 CASE STUDIES

This section presents several case studies of market research and marketing strategies by, or for, builders. The cases are representative of successful initiatives by builders -- successful for example, in terms of buyer satisfaction, quicker sales than the competition, and/or increased sales in depressed markets.

9.1 Brethour Research Associates Limited., Scarborough, Ontario

Builder name: Anonymous

Location: Oakville, Ontario

Size: Medium builder (fifty units per year)

Established: 1986

Study purpose: A father and son wished to start building homes. They approached Brethour to help them target a market, position the company, locate the land, and package and market their product.

Project description: 120 single-detached units in a new community with five other builders. Homes were targeted to first-time and move-up buyers.

Market research: Brethour Research Associates Ltd. conducted initial research which included a market overview, current and future competition, detailed specification review, target market identification, and product positioning. This research took approximately three weeks and cost of $5,000. Subsequently, Brethour attended weekly marketing meetings for 16 months to assist the builder on a fee based on units sold ($200 per home).

Marketing strategies: The key ingredients to success involved the development of a marketing plan which was based on market research. Strategies which reflected this information included:

- the selection of a company name which would reflect the builder's image of a small, family-run company
- product positioning as a small but good custom builder who offered slightly better specifications that the competition (e.g., 32 oz versus 28 oz carpeting)
- the design of a logo which was visually attractive and consistently used for all brochures, business cards, signage, and advertising
- assistance with a "story of the builder" for professionally designed advertising that used local newspapers as the primary medium
- free publicity through the Toronto Home Builders' Association's home builder feature in the Toronto Star

- promotions such as personalized sold signs indicating "Sold to Mr. and Mrs. Smith"
- attention to small details such as dialogue with customers, information sharing with the customer as construction progressed, appointments with the project manager to view construction so that details could be pointed out, and dedication to answering all questions promptly.

Success: Homes were sold faster than the other five competititors' homes in a tight community. In fact, one long established competitor "stole" one of their salespeople. Buyer satisfaction was high. The research was very cost effective to the builder particularly because he had no previous experience in the industry.

9.2 Property Group One[1]

Builder name: Property Group One

Location: Columbus, Ohio

Size: Large builder

Research purpose: Builder Phil Fankhauser spotted a market niche in 1986 for affordable housing aimed at active retirees who were currently renting. Fankhauser discovered that the number of older people renting townhouses had increased 300% in five years. He believed they were renting because of the lack of available ownership single-story housing. Fankhauser wanted to develop a product that minimized risk yet clearly defined this market need.

Research approach: Fankhauser and his partner, with the help of research consultants at Kenneth Danter and Co., worked on the concept for 11 months before approaching an architect for the design.

Findings: The first housing priority of the target market was single-story living; the second was affordability. The fact that so many older people were renting showed they were price-sensitive. Most older homeowners were also on reduced incomes but had substantial equity built up in their homes. The market research also found that "active retirees hate to be categorized as old and ostracized into *retirement housing*."

Marketing strategies: The first project was designed as an attached form that repeated a pinwheel cluster fourplex. Each unit was 1000 square feet with a 1.5 car garage. This design maximized both production efficiency and the desired lifestyle. Units were marketed to renters and homeowners who would be owner-occupants and small investors who were eager for the positive cash flow offering and return on their investment when it was sold. To reflect the

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[1] Lurz, William H., "How One Builder Found His Niche In Retirement Housing," *Professional Builder*, December 1988, pp.24-25.

negative attitudes of active retirees toward "old" and "retirement housing", the builder also targeted single-again people and professionals.

One particularly successful ad focused on maximized lifestyle and minimized cost. However, this ad was not the usual type that lists positive features:

"*Sorry...* Features we don't offer

- ❒ Walking up and down stairs
- ❒ Damp, musty basements
- ❒ Unsightly parking lots
- ❒ Multi-level buildings packed together
- ❒ A "big project" image with lots of units
- ❒ Units surrounded by noisy neighbors
- ❒ Out-of-town owners or managers insensitive to your satisfaction
- ❒ Streets clogged with prime time traffic leading to your front door
- ❒ A flat, converted cornfield site
- ❒ Cluttered trash dumpster
- ❒ A one block walk to green space
- ❒ A Community Center shared by 400 residents"

Success: The first project, "Deer Run", a 92 unit condominium development was built in 1987 and acheived 100% occupancy 14 months later. Units sold at an average price of 6% more than forecast because more units sold to owner-occupants. Fankhauser had planned to sell 12 units to owner-occupants but actually sold 24 -- to the targeted market of retirees, single-again, and older professionals. Their second project, "Graystone Manor", a 68 unit condominium also increased in value and attained 100% occupancy in 12 months after beginning construction. In fine-tuning his product, the builder increased the size of the second bathroom and kitchen (to accommodate full-size washers and dryers) so that the Graystone units were 1050 square feet.

Fankhauser plans to license his package to other builders in other Midwestern markets. He also eventually plans to sell buyers two units for $150,000 -- one in Florida and one in the Midwest.

9.3 Tayor-Morley-Simon Inc.[2]

Builder name: Taylor-Morley-Simon Inc.

Location: St. Louis, Missouri

Size: Large builder (163 single-family detached; 460 single-family attached in 1987).

Established: 30 years

Study purpose: Ways to assure buyers of quality and service by the home builder.

Research approach: Company executives' brainstorming session and surveys developed in-house.

Findings: During the brainstorming session, the question was asked "Sure, but what's behind the wall?" The public relations people picked up on it and developed the "Show Me Program."

Company surveys showed buyers wanted to deal with a builder who had a good reputation and stressed quality. They also showed that buyers wanted more value and less glitz.

Marketing strategies: The focus on quality construction meshed with the company's 24 hour customer service program for a zero-defect product. The builder was also involved in the Home Owners Warranty Program.

When customers ask "What's behind the wall?" the company responds through a display called "Show You Wall". This display allows customers to see what is behind the paint and wallpaper. The construction displays are in all of the firm's 15 projects in the St. Louis area. The "Show You Wall" shows exactly what goes into the company's houses. In addition, the builder gives each model-home visitor a brochure that illustrates the construction techniques. The brochure highlights 33 wall, roof and ceiling features.

Success: The response of the buyers has been excellent. President, Harry Morley said "I am convinced that the home buyer is not only demanding the best quality that home builders can provide, but, moreover, assurances of quality and service by the home builder. Being a HOW (Home Owners Warranty Program) builder is not enough."

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[2] "How St. Louis Builder Sells Its Quality-Construction Story," *Professional Builder*, July 1988, p.56.

9.4 Bainsbridge Inc.[3]

Builder name: Bainsbridge Inc.

Location: Denver, Colorado

Size: Medium builder (30 units in 1988)

Established: 1984

Study purpose: To develop and defend a specific market niche in a weak local market.

Research approach: The owner, Allan Brandt, did field research which involved analyzing his competititors' strengths and weaknesses.

Findings: His research showed that the custom market had held fairly steady in boom and bust. "I was looking for an uneven playing field ... and wanted an unfair advantage." Brandt discovered that the custom niche was dominated by large builders but under-served by medium-sized ones. "Small firms lacked business skills and the large, production-driven ones had to fight a tract image with buyers."

Marketing strategies: Brandt targeted the upscale market with custom homes priced from $275,000 to $750,000. His product had more curb appeal and was not as price-sensitive as the competition. The initial strategy was to tie up as many lots as possible with terrific views of the Rockies. By controlling "the land and views, buyers will show up at your door." But once there, Brandt made sure they weren't taken for granted. He instituted several company policies to ensure buyers never had to wait more than a half-day for a response to a question or complaint. "We put customer service on top." Brandt contracted with an out-of-house customer service manager to handle all administrative details and inspections with customers. The customer service manager is paid on a per-house basis to ensure the job is done right.

To promote enthusiasm for the policy Brandt gives everyone involved in a project -- from secretaries to tradespeople -- a small bonus when a house deal closed. "That makes everyone in the company a salesperson ... and it makes employees happy too."

To cut advertising costs he works hard at unusual promotions that attract media attention. For example, Denver's "Parade of Homes" took place in July. "To stand out, we decided to decorate it for Christmas. We got a lot of press, and everyone remembered our house."

Brandt also pays attention to small details such as building a boardwalk to the front door of a house under construction, visiting the house in the framing stage

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[3] Ideas: "Finding A Niche In A Market Gone Sour," *Builder*, January 1989, p. 227.

to ensure every window takes full advantage of the views, and sending holiday baskets to each buyer.

Success: Business is growing 70% a year. 1988 was the best year with 30 single-family homes that captured about 15% of the custom home market. Success is primarily attributed to the prime location of lots, customer service, an enthusiastic staff, attention to small details, and unusual promotions.

In summary, marketing should be perceived by builders as an investment. Carefully planned market research and marketing strategies put a builder ahead of the competition. Successful initiatives, such as personalized sold signs and reverse features advertising are innovative ideas that are affordable, even for small builders. A well-planned marketing plan and sensible budget will assure increased sales and homes that sell more quickly for the builder who has done his homework.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 Market Research by Builders in Alberta
10.2 The Need for Market Research
10.3 Steps in Planning Market Research
10.4 Market Research Techniques
10.5 Marketing Strategies
10.6 Recommendations to Builders

10.0 CONCLUSIONS AND RECOMMENDATIONS

Effective market research can substantially enhance the success potential of builders. This study evaluated the extent and nature of market research by such builders and identified effective market research techniques and strategies for small builders in the Province.

10.1 Market Research by Builders in Alberta

Based on the 91 builders surveyed in this study, the typical builder in Alberta is between 25 and 45 years of age, has more than 10 years of experience in the industry, and has a university or trade/technical institute education. Most of the builders are small limited companies which have five or fewer full-time employees who completed less than 25 units which were targeted to the mid-market in 1988.

One in three builders plans to enter new markets within the next two years. However, these tend to be builders with a higher level of education or medium to large builders. Two in three builders who are anticipating new markets thought market research was, or will be, an important element of building homes.

Two in three builders now conducts some form of specifically planned, formal market research. However, this finding is not always reflected in the literature because it is conducted in-house.

Builders study or research the market or their customers to gain an advantage over the competition, to help make a business decision, to reduce risk, or to increase customer satisfaction. The most widely used sources of information are: competititors' show homes, real estate agents, trade publications, home builders' associations, and seminars, conferences, or conventions. However, trade associations, architects or designers, consultants or market researchers, land developers, and government are also widely used sources. Information about market opportunities, consumer research, new technology, and specialized housing markets or niches is of substantial interest to builders.

Articles, reports, newsletters, and seminars are the preferred information vehicles.

10.2 The Need for Market Research

Experts in the housing field indicate that today's small builder cannot afford to make mistakes. Although the home building industry in Alberta is currently in a growth stage, builders know the effects of a downturn in the market. Moreover, as the move-up market peaks, the empty nester and seniors markets will become the major segments of focus. Builders need to do their homework before entering new markets or revising existing plans. The issues of what and where to build are no longer simple due to increasingly complex markets of more sophisticated and demanding buyers.

As we approach the year 2000, market research will become increasingly important to residential home builders. However, because most builders are small firms, this information must be affordable or cost-effective. Therefore, the majority of market research conducted by builders needs to be done in-house using a do-it-yourself approach.

Builders surveyed indicated they would like more information about new markets, how to conduct market research, and marketing their products. This report responds to this need by outlining a do-it-yourself approach to market research and marketing strategies which have been successful for builders, including smaller builders.

10.3 Steps in Planning Market Research

Although market research and marketing strategies are both elements of a builder's marketing plan, *market research* assesses the market, consumers, and the competition, while *marketing strategies* generally relate to product positioning, market segmentation, public relations, promotions, image creation, advertising, merchandizing, and sales. However, before marketing strategies can be effectively developed, market research should answer questions such as:

- What does the market want?
- Who will the buyers be?
- What is the competition?
- What will bring prospective buyers to the project?

Affordable market research opportunities are more numerous than many builders might think. In many cases, a simple, relatively inexpensive research study can help a builder make a better decision. A builder must, however, look for and recognize research opportunities and decide which ones to pursue. The following steps in the market research process help to organize and facilitate such decisions:

Step 1. Determine if You Need Market Research.
Step 2. Decide on Timing and Budget.
Step 3. Select Appropriate Information Sources.
Step 4. Gather the Information.
Step 5. Analyze the Information.
Step 6. Draw Conclusions and Take Action.

If a preliminary investigation of questions or problems justifies market research, a builder needs to decide whether to conduct this research in-house or by contracting out. The required information may then be gathered through secondary sources such as Statistics Canada and/or through primary market and consumer research.

10.4 Market Research Techniques

In gathering information, informal market research should be done on a continual basis that ranges from a cup of coffee with prospects to telephone conversations with buyers. However, for builders who are thinking about changing their product or services, or are considering a new market, some formal market research should be conducted. There are three key elements in such research:

- market analysis or demand
- competitive analysis
- consumer research.

This type of market research can be conducted by smaller builders on a do-it-yourself basis. Market analysis uses census data available through Statistics Canada and through provincial and municipal planning departments. A competitive analysis is essentially a search of known and potential projects competing for the same market you are considering. However, it is not sufficient that demographics look favorable and that there is little competition. Consumer research helps builders determine exactly what product to offer and where, how it should be priced, and what strategies are necessary to market it effectively.

There are four major survey methods of asking people for information:

- telephone interviews
- mail questionnaires
- personal interviews
- focus groups.

Each method has advantages and disadvantages. In selecting a method, the builder must also consider the kind of information each method can collect and the time and costs associated with each. All four techniques have been successful and cost-effective for builders, including smaller ones.

Market research is a balance of information, logic, and intuition. Successful builders do their homework. For example, if a builder is considering a new market or new design, it makes economic sense to know if there is a need for the product, exactly who the buyers will be, what competition the builder is up against, and what will bring prospects to your company. Once these questions are answered, appropriate strategies to market and sell the product can be developed.

10.5 Marketing Strategies

Effective marketing strategies are based on a well-thought out marketing plan, knowledge of the market and prospective buyers, and a sufficient marketing budget. Builders need a clear idea of who they are targeting their product to -- not just a broad segment of the market such as the seniors market, but a narrower segment of this market called a market niche. Successful builders, including smaller builders, find a market niche based on some new or unserved market need.

Marketing strategies may then be developed to attract this fine-tuned market. Successful strategies address the positioning of your product against the competition, creating a positive image of your company, getting the most from your advertising and promotions budget, staging public relations events, and successfully merchandizing and selling your product.

Successful strategies used by builders range from creating an appealing image by using meaningful and consistent identification symbols throughout advertising to innovative promotions such as decorating a model home for Christmas at other times of the year.

Frank Giannone of Fram Building Group in Ontario, for example, built 40 homes his first year, 1982. In 1989, sales were projected for 450 homes, 75 percent of which were R2000. However, Fram's product was positioned in terms beyond simple energy efficiency. Their homes also boast comfort and quality of lifestyle by selling not payback, but a package which includes high efficiency features, clean air, ventilated air, looks, and good construction quality.

10.6 Recommendations to Builders

Based on this study, specific recommendations to builders are as follows:

- listen and talk to prospective clients about their housing needs, wants, and preferences
- keep in touch with buyers to ensure satisfaction and positive word-of-mouth reference to your product

- visit the competition, particularly in other areas that are known for innovative ideas
- consider the team approach to building which includes the developer, planner, researcher, and marketing specialists
- explore affordable market research techiques and strategies that can be done in-house
- if contracting out, ask consultants for the most affordable and cost effective approach to your research problem
- read trade publications for market research ideas and marketing strategies that have been successfully used by other builders, including smaller builders
- ask developers for research support and information
- approach special interest organizations such as seniors' and handicapped groups for their ideas
- approach local, provincial, and national trade associations for information
- put your name on the mailing list for information from the Canadian Housing Information Center of CMHC and the Innovative Housing Grants Program of Alberta Municipal Affairs
- attend housing seminars, conventions, and conferences
- send sales personnel to training courses and motivation seminars.

The keys to success in the housing industry during the remainder of this decade will be adaptability, flexibility, openess to innovation, and the ability to recognize evolving market niches. Builders will need to explore markets such as lifestyle housing for seniors, infill housing, housing for the handicapped, and the renovation market. However, consumers are becoming more sophisticated and demanding buyers. There are risks to entering new markets but these can be minimized by doing market research. Hopefully, this report will increase builder awareness of the wide array of simple, affordable market research techniques and strategies that can be done in-house or contracted out.

APPENDIX A: Mail Questionnaire and Results

Sintra
MARKETING RESEARCH

13016-104 Avenue,
Edmonton, Alberta
Canada, T5N 0V8
Telephone (403) 452-8951

April 7, 1989

Members of the New Home Warranty Program of Alberta have been selected to participate in a survey about the use and value of market research within the home building industry. The final report for this study will provide builders with effective and affordable market research techniques **for your benefit** and future reference.

Sintra Group Inc. is a private research company. We have developed this study and survey with input from various home builder associations. Although support for the study is being provided by **Alberta Municipal Affairs** through its Innovative Housing Grants Program, the views and conclusions will be ours. Copies of the final report will be available from Alberta Municipal Affairs. If you would like a copy either complete the appropriate section at the end of the survey or call 427-8150.

If you would like more information about the study please call me at 452-8951. Alternatively, the project manager at Alberta Municipal Affairs is Mr. Rex Adam, who may be reached at 427-8150.

To ensure that the survey accurately reflects all builders in Alberta, please take **ten minutes** to answer the attached survey. No preparation is needed to answer the questions and your replies will be anonymous.

Your views are important so we look forward to hearing from you. Please return your completed survey in the enclosed postage paid envelope by **April 21**.

Sincerely,

Lorraine Romank

Lorraine Romank
President
SINTRA GROUP INC.

BUILDER SURVEY

We'd like to learn more about the use and value of market research among Alberta homebuilders.

Please take 10 minutes to answer this short survey. **Answer all questions** -- the survey should reflect the opinions of all builders in Alberta, including smaller builders.

Market research is defined as collection of information about your market, customers, and product.

USE OF MARKET RESEARCH

RESPONDENTS n= 91

The questions in this section deal with the use and value of market research among builders.

1. Which of the following statements reflect your opinion of market research? (Check all that apply)

%
- 9.9 ☐ I have been a builder for many years and feel I know the market and customers well enough **not** to require market research. (n= 9)
- 11.0 ☐ I can't afford market research. (n=10)
- 49.5 ☐ Market research is, or will be, an important element of building homes because of factors such as slower market growth, increasing competition, and emerging new markets. (n=45)
- 57.1 ☐ Builders will need to research the market as consumers become more sophisticated, and more demanding, buyers. (n= 52)
- 3.3 ☐ None of the above. (Please state your opinion: (n=3) _____)

2. a) Which of the following market research activities has your business undertaken – either in-house or hired out? (Check all that apply) In addition, please rate the effectiveness of the techniques you have checked off by circling the appropriate number. "1" means *not very useful*, "4" means *very useful*. You may of course circle a number inbetween to express your rating.

%
- 27.5 ☐ Profiles of customer demographics (n=25) (eg. income, age, marital status) (1 2 3 4)
- 73.6 ☐ Studying/visiting the local competition (1 2 3 4) (n=67)
- 70.3 ☐ Studying/visiting builder projects in other areas (1 2 3 4) (n=64)
- 25.3 ☐ Surveys of potential customers about a proposed/new project (1 2 3 4) (n=23)
- 25.3 ☐ Exit surveys (ie. surveys of visitors to your show homes) (1 2 3 4) (n=23)
- 16.5 ☐ Focus or group interviews (1 2 3 4) (n=15)
- 35.2 ☐ Surveys or interviews of people who have purchased from you (1 2 3 4) (n=32)
- 72.5 ☐ Talking to your customers to find out what they want/prefer in a new home (1 2 3 4) (n=66)
- 8.8 ☐ None of the above — please answer part b) (n= 8)

b) Answer this question only if you checked "none of the above" in part a). What are your reasons for <u>not</u> conducting any of the activities listed in question 2a? (Check all that apply)

%
- 50.0 ☐ Our business is doing well (n= 4)
- 37.5 ☐ Research is too expensive (n=3)
- 12.5 ☐ We don't have the time (n=1)
- 12.5 ☐ Our business does not require research. we know our market
- — ☐ Past experience with consultants/market researchers has been negative
- 25.0 ☐ Only builders can really understand this market (n=2)
- 12.5 ☐ Other (Specify: (n=1) _____)

3. What motivates you to study/research the market or your customers (ie. what is your purpose)? (Check all that apply)

%
- 28.6 ☐ Entering a new market (n=26)
- 11.0 ☐ Troubled projects / poor business (n= 10)
- 60.4 ☐ To gain an advantage over the competition (n=55)
- 29.7 ☐ To reduce the selling time of a project (n= 27)
- 57.1 ☐ To help make a business decision (n= 52)
- 52.7 ☐ To reduce risk (n=48)
- 8.8 ☐ To satisfy banker/financial requests (n= 8)
- 59.3 ☐ To increase customer satisfaction (n= 54)
- 2.2 ☐ Other (Specify: (n= 2) _____)
- 9.9 ☐ None of the above, we do not conduct market research (n= 9)

4. What are your specific market research objectives? (Check all that apply)

%
- 60.4 ☐ To find out more about our market area (n= 55)
- 60.4 ☐ To find out more about our customers (n=55)
- 45.1 ☐ To find out more about our competition (n=41)
- 39.6 ☐ To find out about new products or services (n= 36)
- 45.1 ☐ To determine strengths/weaknesses of our company (n=41)
- 1.1 ☐ Other (Specify: (n=1) _____)
- 11.0 ☐ None of the above, we do not conduct market research (n=10)

5. How is most of your market research conducted? (Check only one)

%
76.9 ☐ In-house (ie. by our own staff) (n= 70)
4.4 ☐ Hired out to consultants or researchers (n=4)
14.3 ☐ Neither of the above, we do not conduct market research (n=13)
4.4 both in-house + hired out (n=4)

6. Who is primarily responsible for market research in your business? (Check only one)

%
75.8 ☐ Owner/president (n= 69)
9.9 ☐ Sales manager (n=9)
— ☐ Market research staff
3.3 ☐ Other internal staff (Specify: n=3)
2.2 ☐ Hired consultant /consulting firm / market researcher n= 2
– ☐ Architect
– ☐ Interior designer
– ☐ Other (Specifiy:)
8.8 ☐ No one, we do not conduct market research (n= 8)

7. How often do you conduct formal (ie. specifically planned) market research? (Check only one)

%
35.6 ☐ On an on-going basis (n=32)
4.4 ☐ In advance of major projects (n= 4)
1.1 ☐ More than five times a year (n=1)
5.6 ☐ 3 - 5 times a year (n=5)
13.3 ☐ 1 - 2 times a year (n=12)
10.0 ☐ Less than once a year (n=9)
30.0 ☐ Never, we do not conduct formal research (n=27)

8 a) Rate the success of market research conducted for your business – in-house or contracted out. (Check only one)

%
13.3 ☐ Very successful (n= 12)
53.3 ☐ Somewhat successful (n=48)
7.8 ☐ Not very successful (n=7)
– ☐ Not successful at all
25.6 ☐ None of the above, we have not had market research conducted by a professional (n= 23)

b) Please define what "*success*" of market research means to you. (ie. What factors came to mind when you thought about "success" in the above question)? _____

9 a) How cost effective was the above research? (Check one)

%
30.3 ☐ Very cost effective (n=27)
28.1 ☐ Somewhat cost effective (n=25)
11.2 ☐ Not very cost effective (n= 10)
– ☐ Not worth it at all
30.3 ☐ None of the above, we have not had market research conducted by a professional (n= 27)

b) What factors come to mind when you think about "*cost effectiveness*" of market research?

_____

10. Which sources of information have you used to learn more about housing markets, trends, consumers, products, or services? (Check all that apply)

%
52.7 ☐ Seminars / conferences / conventions (n=48)
68.1 ☐ Trade magazines or publications (n=62)
84.6 ☐ Show homes/models of competitors (n= 77)
9.9 ☐ Housing Division, Alberta Municipal Affairs (n=9)
17.6 ☐ Canada Mortgage and Housing Corporation (n=16)
3.3 ☐ Canadian Housing Information Centre (n=3)
7.7 ☐ Government planning departments (n=7)
2.2 ☐ Chamber of Commerce (n= 2)
54.9 ☐ Home Builders' Associations (n=50)
76.9 ☐ Real Estate Agents (n=70)
12.1 ☐ Consultants or market researchers (n=11)
6.6 ☐ Statistics Canada/Alberta Bureau of Statistics (n=6)
4.4 ☐ Mail order 'pre-packaged' market reports or surveys (n=4)
6.6 ☐ Other (Specify: (n=6))
2.2 ☐ None of the above (n=2)

11. Which sources influence your home designs or plans? (Check all that apply)

%
39.6 ☐ Trade publications (n= 36)
49.5 ☐ Site visits to other local projects (n=45)
52.7 ☐ Site visits to projects in other areas (n=48)
40.7 ☐ Local competitors (n= 37)
36.3 ☐ Show home traffic (n=33)
79.1 ☐ Customer feedback (n=72)
28.6 ☐ Hired architect/draftsman/designer (n= 26)
6.6 ☐ Pre-packaged house plans (n=6)
53.8 ☐ Refinements of our own plans (n=49)
8.8 ☐ Other (Specify: (n= 8))

YOUR BUSINESS

To help us classify some of the above information, please provide us with some basic information about your business.

12. In which center are you located?

%
23.1 ☐ Edmonton (includes St. Albert & Sherwood Park) (n= 21)
33.0 ☐ Calgary (n= 30) 4.4 ☐ Lethbridge (n= 4) 12.1 ☐ Red Deer (n= 11)
25.3 ☐ Other (Specify: (n= 23))
2.2 In two cities (n= 2)

13. What is the ownership structure of your business?

%
8.8 ☐ Sole proprietorship (n= 8)
4.4 ☐ Partnership (n=4)
71.4 ☐ Limited company (n=65)
15.4 ☐ Corporation (n=14)
— ☐ Subsidiary of another company

14. How many full-time employees do you have (count yourself as well)? 1 to 100 employees.

15. How many units did your firm complete construction of in 1988? 0 to 334 units.

16. Which markets do you build for? (Check all that apply)

%
8.8 ☐ Very low cost (n= 8)
81.3 ☐ Mid-market (n=74)
47.3 ☐ Upscale/luxury (n=43)
16.5 ☐ Singles (n=15)
47.3 ☐ Young families (n= 43)
25.3 ☐ Empty nesters (n= 23)
22.0 ☐ Retirement (n= 20)
1.1 ☐ Disabled (n= 1)
17.6 ☐ Energy efficient (n= 16)
11.0 ☐ Infill (n= 10)
14.3 ☐ Major renovations (n= 13)
2.2 ☐ Other (Specify: (n=2))

17. Do you expect to enter a new market(s) within the next two years?

%
35.6 ☐ Yes (n=32) 32.2% ☐ No (n=29) 32.2% ☐ Unsure (n=29)

18. What is your position with the firm?

%
83.5 ☐ Owner/president (n= 76)
5.5 ☐ Sales manager (n= 5)
2.2 ☐ Construction manager (n=2)
— ☐ Market researcher
8.8 ☐ Other (Specify: (n=8))

19. How many years of experience do you have in home building?

%
8.8 ☐ 1-5 years (n= 8)
22.0 ☐ 6-10 years (n=20)
49.5 ☐ 11-19 years (n=45)
19.8 ☐ 20 years or more (n=18)

20. What is your highest level of education?

%
38.5 ☐ University (n=35)
35.2 ☐ Trade/technical institute (n= 32)
18.7 ☐ High school (n= 17)
7.7 ☐ High school incomplete (n=7)

21. What is your age?

%
1.1 ☐ Less than 25 (n=1) 36.7 ☐ 26-35 (n= 33) 36-45 (n=33) 14.4 ☐ 46-55 (n=13) 11.1 ☐ 56-65 (n= 10) — ☐ More than 65

YOUR IDEAS

This section asks about information you would like to see available to builders and who should provide such information.

22. In which of the following areas would you definitely be interested in having more information? (Check all that apply)

%
61.5 ☐ Market opportunities (n=56)
47.3 ☐ Specialized markets (eg. retirement housing) (n=43)
51.6 ☐ Consumer research (eg. preferences) (n= 47)
68.1 ☐ New products / services (n= 62)
63.7 ☐ Sales and marketing strategies (n=58)
48.4 ☐ New technology (n=44)
3.3 ☐ Other (Specify: (n=3))
2.2 ☐ None of the above (n=2)

23. Who should supply the above information? (Check all that apply)

%
65.9 ☐ Trade associations (n=60)
53.8 ☐ Trade magazines (n= 49)
22.0 ☐ Government (n= 20)
26.4 ☐ Land developers (n=24)
26.4 ☐ Own sales staff (n=24)
26.4 ☐ Architects/designers (n=24)
38.5 ☐ Consultants / market researchers (n=35)
27.5 ☐ Real estate companies (n= 25)
30.8 ☐ Consumers (n= 28)
6.6 ☐ Other (Specify: (n=6))
1.1 ☐ None of the above (n=1)

24. Which information formats would most interest you? (Check all that apply)

%
48.4 ☐ Seminars (n=44)
20.9 ☐ Car tapes (n= 19)
31.9 ☐ "How To" Manuals (n=29)
63.7 ☐ Articles/reports (n= 58)
67.0 ☐ Newsletters (n= 61)
2.2 ☐ Other (Specify: (n=2))
1.1 ☐ None of the above (n=1)

COMMENTS: _____

APPENDIX B: Selected Resources for Marketing Strategies

Selected Resources for Marketing Strategies

Clark, Charles R. and David F. Parker (1989). *Marketing New Homes.* Washington D.C.: National Association of Home Builders of the United States.

Davidson, Jeffrey P. (1988). *Marketing on a Shoestring: Low-Cost Tips for Marketing Your Products or Services.* New York: John Wiley and Sons.

How to Market: A Practical Guide for Small Business in Ontario (1986). Ontario Ministry of Industry, Trade, and Technology.

Husack, Glen A. and Gordon P. Kraemer (1982). *Do-It-Yourself Marketing Plan.* New York: The Institute for Small Business, Inc.

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